2023 年度報告 ANNUAL REPORT

途虎养车
TUHU Car Inc.

(A company controlled through weighted voting rights and incorporated in the Cayman Islands with limited liability)
（於開曼群島註冊成立以不同投票權控制的有限公司）

Stock code 股份代號：9690

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Min *(Chairman of the Board)*
Mr. Hu Xiaodong

Non-executive Director

Mr. Yao Leiwen

Independent Non-executive Directors

Ms. Yan Huiping *(appointed with effect from 26 September 2023)*
Mr. Feng Wei *(appointed with effect from 26 September 2023)*
Mr. Wang Jingbo *(appointed with effect from 26 September 2023)*

AUDIT COMMITTEE

Ms. Yan Huiping *(Chairperson)*
Mr. Feng Wei
Mr. Wang Jingbo

REMUNERATION COMMITTEE

Ms. Yan Huiping *(Chairperson)*
Mr. Wang Jingbo
Mr. Chen Min

NOMINATION COMMITTEE

Mr. Wang Jingbo *(Chairperson)*
Mr. Feng Wei
Mr. Hu Xiaodong

CORPORATE GOVERNANCE COMMITTEE

Mr. Feng Wei *(Chairperson)*
Ms. Yan Huiping
Mr. Wang Jingbo

JOINT COMPANY SECRETARIES

Mr. Chen Zhe
Mr. Lee Chung Shing

AUTHORISED REPRESENTATIVES

Mr. Chen Min
Mr. Lee Chung Shing

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

HONG KONG LEGAL ADVISER

Kirkland & Ellis
26/F, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

Skadden, Arps, Slate, Meagher & Flom and affiliates
42/F, Edinburgh Tower, The Landmark
15 Queen's Road Central, Central
Hong Kong

COMPLIANCE ADVISER

Guotai Junan Capital Limited
27/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

REGISTERED OFFICE

PO Box 309, Ugland House
Grand Cayman KY1-1104
Cayman Islands

Corporate Information

HEADQUARTERS

8th Floor
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1999 Yishan Road
Minhang District
Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

46/F, Hopewell Center
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
P.O. Box 1093, Boundary Hall
Cricket Square, Grand Cayman, KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

INVESTOR RELATIONS

Email: ir@tuhu.cn

WEBSITE

www.tuhu.cn

STOCK CODE

9690

WEIGHTED VOTING RIGHTS

The Company is controlled through weighted voting rights. Each Class A Share has one vote per share and each Class B Share has ten votes per share except with respect to resolutions regarding a limited number of Reserved Matters, where each Share has one vote. The Company's WVR structure enables the WVR Beneficiary to exercise voting control over the Company notwithstanding the WVR Beneficiary does not hold a majority economic interest in the share capital of the Company. This allows the Company to benefit from the continuing vision and leadership of the WVR Beneficiary who control the Company with a view to its long-term prospects and strategy.

Shareholders and prospective investors are advised to be aware of the potential risks of investing in companies with WVR structures, in particular that interests of the WVR Beneficiary may not necessarily always be aligned with those of the Shareholders as a whole, and that the WVR Beneficiary will be in a position to exert significant influence over the affairs of the Company and the outcome of Shareholders' resolutions, irrespective of how other Shareholders vote. Shareholders and prospective investors should make the decision to invest in the Company only after due and careful consideration.

As of the Latest Practicable Date, the WVR Beneficiary is Mr. Chen Min. Mr. Chen Min is interested in and controls 12,487,564 Class A Shares and 68,949,580 Class B Shares, representing approximately 48.7% of the voting rights of the issued Shares in general meetings of the Company (except for resolutions with respect to the Reserved Matters, in relation to which each Share is entitled to one vote).

Corporate Information

Class B Shares may be converted into Class A Shares on a one to one ratio. Upon the conversion of all the issued and outstanding Class B Shares into Class A Shares, the Company will issue 68,949,580 Class A Shares, representing approximately 8.4% of the total number of issued and outstanding Class A Shares upon such conversion.

The weighted voting rights attached to the Class B Shares will cease when the WVR Beneficiary no longer has beneficial ownership of any of the Class B Shares, in accordance with Rule 8A.22 of the Listing Rules. This may occur:

(i) upon the occurrence of any of the circumstances set out in Rule 8A.17 of the Listing Rule, in particular where the WVR Beneficiary is: (a) deceased; (b) no longer a member of the Board; (c) deemed by the Stock Exchange to be incapacitated for the purpose of performing his duties as a Director; or (d) deemed by the Stock Exchange to no longer meet the requirements of a Director set out in the Listing Rules;

(ii) when the holder of Class B Shares has transferred to another person the beneficial ownership of, or economic interest in, all of the Class B Shares or the voting rights attached to them, other than in the circumstances permitted by Rule 8A.18 of the Listing Rule;

(iii) where a vehicle holding Class B Shares on behalf of a WVR Beneficiary no longer complies with Rule 8A.18(2) of the Listing Rule; or

(iv) when all of the Class B Shares have been converted to Class A Shares.

Financial Summary and Key Operation Metrics

FINANCIAL SUMMARY

	For the year ended 31 December				
	2023		2022		
	Amount	As a percentage of revenue	Amount	As a percentage of revenue	Year over year change
	RMB	*%*	*RMB*	*%*	*%*
	(in thousands, except for percentage)				
Revenue	**13,601,085**	**100.0**	11,546,851	100.0	17.8
Gross profit	**3,359,353**	**24.7**	2,270,182	19.7	48.0
Operating profit/(loss)	**161,524**	**1.2**	(763,920)	(6.6)	N/A
Profit/(loss) for the year	**6,700,697**	**49.3**	(2,138,315)	(18.5)	N/A
Adjusted EBITDA (non-IFRS measure)(1)	**757,783**	**5.6**	(186,546)	(1.6)	N/A
Adjusted net profit/(loss) (non-IFRS measure)(2)	**481,314**	**3.5**	(551,929)	(4.8)	N/A

	Unaudited For the six months ended 31 December				
	2023		2022		
	Amount	As a percentage of revenue	Amount	As a percentage of revenue	Year over year change
	RMB	*%*	*RMB*	*%*	%
	(in thousands, except for percentage)				
Revenue	**7,079,456**	**100.0**	6,078,823	100.0	16.5
Gross profit	**1,781,244**	**25.2**	1,273,211	20.9	39.9
Operating profit/(loss)	**94,793**	**1.3**	(245,873)	(4.0)	N/A
Profit/(loss) for the period	**6,641,210**	**93.8**	(1,186,456)	(19.5)	N/A
Adjusted EBITDA (non-IFRS measure)(1)	**405,961**	**5.7**	35,694	0.6	1,037.3
Adjusted net profit/(loss) (non-IFRS measure)(2)	**267,269**	**3.8**	(138,324)	(2.3)	N/A

Notes:

(1) Adjusted EBITDA (non-IFRS measure) represents profit/(loss) for the year/period excluding income tax expense, finance income, finance costs, depreciation and amortisation, share-based payment expenses, fair value changes of convertible redeemable preferred shares and listing expenses.

(2) Adjusted net profit/(loss) (non-IFRS measure) represents profit/(loss) for the year/period excluding share-based payment expenses, fair value changes of convertible redeemable preferred shares and listing expenses.

Financial Summary and Key Operation Metrics

KEY OPERATION METRICS

	As of/For the year ended 31 December		
	2023	2022	Year over year change (%)
Number of Tuhu workshops	**5,909**	4,653	27.0
– Self-operated Tuhu workshops	**152**	162	(6.2)
– Franchised Tuhu workshops	**5,757**	4,491	28.2
Transacting users[1] *(in millions)*	**19.3**	16.5	16.9
Registered users[2] *(in millions)*	**115.3**	95.5	20.7

Notes:

(1) Transacting user represents a user account that paid for at least one transaction of product or service on our platform (excluding Qipeilong) in a given period, regardless of whether the transaction was subsequently refunded.

(2) Registered user represents a user that has registered by providing required information and logged in to our flagship app at least once since registration. We calculate the number of registered users as the cumulative number of valid user accounts at the end of the relevant period with duplicates eliminated.

Chairman's Statement

Dear Shareholders,

2023 was a landmark year for Tuhu. Not only did we successfully list on the Main Board of the Stock Exchange in September, but we also achieved profitability for the full-year for the first time, which proved our pioneering integrated online and offline business model, and our corporate values of "*customer first,*" "*value creation through relentless innovation,*" "*franchisee-oriented service philosophy,*" "*continuous improvement,*" "*stay off fraud,*" and "*win-win collaboration.*" The twelve years of dedication and hard work by all our employees have finally come to fruition, and we are more confident than ever that we are in a better position to repay our Shareholders and customers for their unwavering trust and support from this point on.

FINANCIAL HIGHLIGHTS

In 2023, riding on the recovery of China's economy, our Group maintained a good growth momentum, achieving a total revenue of RMB13.6 billion, representing an increase of 17.8% from RMB11.5 billion in 2022. During the year, through the optimisation of our sales structure and the continuous improvement of our operational efficiency, we recorded a gross profit of RMB3.4 billion, corresponding to a gross profit margin of 24.7%, up by 5.0 percentage points from the prior year. In particular, the gross profit of our auto maintenance business increased by 34.3% from RMB1.2 billion in 2022 to RMB1.6 billion in 2023, driven by the continuous growth in the breadth of our service coverage and depth of our exclusive and private products offerings. As we attained economies of scale and strengthened operational efficiency, our operating expenses were effectively reduced. Our total operating expenses (comprising operating and support expenses, research and development expenses, selling and marketing expenses, and general and administrative expenses) in 2023 accounts for 24.4% of the total revenue, declined by 3.2 percentage points from the prior year. Consequently, we celebrated a significant milestone by recording full-year profitability for the first time, with an adjusted net profit (non-IFRS measure) of RMB481.3 million.

PLATFORM: INNOVATION, TRAFFIC, AND WORD-OF-MOUTH

As the industry pioneer in adopting the integrated online and offline model, we continued to revolutionise the value chain of the automotive service market by introducing disruptive innovations to the industry, and garnered high recognition from customers. As of 31 December 2023, our registered users reached 115 million. Given the relatively low frequency of automotive service market, it is our consistent adherence to the "*customer-centric*" philosophy year after year that has fostered a greater accumulation of regular customers and attracted new customer growth. In 2023, more than 19.3 million users placed orders for products and services on our platform, with over 10 million monthly active users engaging with our APP on average. With an annual repurchase rate of nearly 60%, and half of our total revenue in 2023 generated from repurchase customers, Tuhu has become the byword for "*authentic, affordable, and professional*" automotive services and the preferred platform for Chinese car owners.

We have ramped up our brand promotion efforts in 2023 through a series of brand-centric projects to strengthen our brand recognition and reputation among users. For instance, we became the sponsor and the designated car care brand of the China Soccer League ("CSL") for the first time in 2023. Through widespread exposure on multiple channels and in multiple formats, our brand recognition and walk-in customers increased significantly in most of the cities that has a CSL team. In March 2023, we cooperated with TÜV Rheinland, an international independent certification body, to launch the first tire performance certification system in China. In addition, we conducted joint marketing activities with several trendsetting brands and film and television IPs in China, to achieve synergistic effects in brand communication and sales conversion.

Chairman's Statement

We have tapped into new channels including live streaming, which serves as a content-based platforms for our user engagement and brand promotion. This approach enables us to effectively acquire new customers. The KOL accounts and official live streaming channels we operate are categorised by product and content, and have accumulated several millions of followers. On the Douyin e-commerce platform, our e-store consistently ranked at the top by the gross merchandise value among all automotive services brands throughout the year. Through system integration, our customers can seamlessly complete the online process of selecting products, placing orders and choosing stores directly on the Douyin platform.

In our quest to enhance customer satisfaction, we have invested in the construction of customer service system, text- and voice-based AI technologies, to mitigate issues that affect customer experience. Our comprehensive customer service system constantly ensures high-quality performance across all service functions, as evidenced by our attaining the Customer Operations Performance Centre ("COPC") system certification in June 2023. Our smart services encompass a full suite of AI technologies across text-, voice- and media-based external communications, and we are starting to explore large language model integration.

We remain the industry leader in terms of customer satisfaction. Our customer satisfaction surveys have expanded to include additional consumption scenes in 2023, on top of prioritising the experience of customers who completed the order. Our customer satisfaction rate reached 94.2% in 2023, up by 1.5 percentage points from the prior year.

STORE NETWORK: DEVELOPMENT AND OPERATION

To meet the diverse automotive service needs stemming from differing geographical characteristics, vehicle model distributions, car age structures, consumption habits, and supply networks across various cities, we are continuously iterating our store structure and formats. We endeavour to open Tuhu workshops rapidly where users need them the most. To that end, we increased our workshop count by 1,256 in 2023, and our expansive network of 5,909 workshops in over 300 cities now covers all provincial-level cities and administrative districts in China, making us the most extensive offline automotive service network with the largest number of stores and the widest coverage. By the end of 2023, we had covered all county-level cities in one province and three municipalities – Beijing, Jiangsu, Shanghai, and Chongqing, with an average of over 100 workshops homed in every tier-one and new tier-one cities. We have also recognised the vast potential and opportunities within lower-tier cities. In light of this revelation, we are dedicated to penetrating into these emerging markets, with a special focus on developing our presence in county-level landscapes. As of the end of 2023, we had 3,420 workshops in tier-two and below cities, an addition of 881 workshops over the past year. Notably, in previously untapped western and northern regions, our growth has been particularly substantial. The number of Tuhu workshops in the Xinjiang Uygur Autonomous Region increased to 40, while the number of Tuhu workshops in the Tibet Autonomous Region increased to 7. Along the 1,264 kilometres stretch of National Highway G318, from Chengdu to Gar County, 154 Tuhu workshops now offer safeguarding services for every driver, with a workshop available approximately every 8.2 kilometres.

Chairman's Statement

In our journey of expansion, we have drawn upon a deep understanding of the offline automotive service industry to unearth various new business models and forms of collaboration. In 2023, Tuhu and PetroChina embarked on a partnership that leverages shared resources in people, cars, and ecosystems, forging a path of mutual benefit and sustainable development. In the same year, as the testament to our partnership, we established the first Tuhu-PetroChina workshop. By the onset of 2024, this Tuhu-PetroChina workshop welcomed its first customer in Suzhou, Jiangsu Province. Going forward, we will further explore this partnership model, with the aim to maximise synergistic advantages while ensuring customer satisfaction and standardised management. We are also exploring a new form of collaboration with 4S stores (sales, service, spare parts and survey). Currently, in China, certain automobile original equipment manufacturers (OEMs) have crumbled and exited the market as the competition intensified, fuelled by the saturation of new car sales and the pressure of rising operational costs. Despite these challenges, Tuhu has managed to stand out with our robust management practices and systematic ability to forge innovative business collaborations with 4S stores affiliated with these OEMs.

Looking ahead, Tuhu will adhere to the philosophy of "*development without limits*" and continue our strategy of penetrating into lower-tier markets, maintaining the momentum of rapid development in the western and northern regions, and further accelerating our store deployment in lower-tier cities.

As our store network expands, we have been devoting increasing efforts to enhancing operational efficiency, optimising control mechanisms, building high-quality management capabilities, and bolstering the comprehensive skills of our technicians.

In May 2023, we developed in-house and introduced the "*Intelligent Task Allocation*" system nationwide, which automatically calculates the workload of our individual supervisors based on the number of workshops they oversee and the geographic location of the workshops, to plan their workshop visit frequency and assign tasks automatically. This system has significantly improved the efficiency of our store management. By the end of 2023, each supervisor was visiting an average of 1.8 franchised Tuhu workshops daily, representing an increase of 28.6% from its launch in May 2023, and the average number of franchised Tuhu workshops covered by each supervisor had increased to 8.

In terms of control mechanisms, we introduced a store rating system, namely the "*Recommended Store*" program, where selected high quality workshops will be rewarded with additional exposure on our user interfaces and ranking promotion in our store list. Workshops with the "*Recommended Store*" label were also preferred by users due to the positive association of this title with quality service under our all-around marketing strategy. This initiative not only motivates franchisees to operate the stores diligently, but also improves customers' awareness of Tuhu workshops' service and brand, improving the service quality of Tuhu workshops by means of user supervision, standard transparency, and franchisee incentives.

Improved store service quality has also garnered positive feedback from users, leading to outstanding business performance. In December 2023, the percentage of profit-making stores among all of Tuhu workshops that were in operation for at least six months increased to 93% from 81% in December 2022.

Chairman's Statement

PRODUCTS AND SERVICES

In the tire segment, we remained as China's largest retailer and service provider in the replacement tire market and the most valued partner for numerous domestic and international tire brands in 2023. We strive to explore greater market opportunities and identify leverage points in both procurement and supply chain, as well as the operation of different tire brands and SKUs.

We have further optimised our product mix and broaden our product universe that consist of premium brand products, exclusive products and private label products. In mid 2023, we became the official partner of Michelin. Our partnership also includes innovative cooperation in genuine direct supply and co-development of NEV tires. Furthermore, our strategic partnerships with major premium brands have allowed us to obtain exclusive selling rights of the secondary brands from those brand owners, providing competitive edge to cope with the downward trend in consumption pattern, while increasing our tire SKUs by more than 700 in 2023. Beyond collaborations with premium brands, we continue to expand our private label tire brand and we have established our private label product portfolio of more than a dozen brands across different price range and categories, including Tordner, Gislaved among others. We are deeply involved and interact with the manufacturers to ensure a steady supply of high-quality, cost-effective products. We co-developed technologies commonly used in NEVs, such as tires with silent technology, to enhance our product strength. These affordable, quality products were well-received by customers upon launch. For instance, Tordner tires saw their unprompted mention rate by consumers jump from 1.1% at it first launch in 2021 to 5.2% in 2023.

Since our foray into auto maintenance services, we have been exploring the breadth and depth of our offerings.

In terms of breadth, our auto maintenance services have expanded to more than 41 categories and more than 8,000 SKUs, including filters, brake fluid, batteries, spark plugs, brake discs and pads, and wipers, among others. "*Reasonable and scientific maintenance*" is the guiding principle behind our service recommendations to customers. We keep our fingers on the pulse of the industry, and many new service categories offered on our platform are driven by our proactive effort in anticipating and shaping consumer habits and industry trends.

In terms of depth, our collaborations with brand partners have deepened. In the past year, we have introduced more products that are exclusively available through Tuhu. Our partnerships span across diverse fields. For instance, in April 2023, we launched the Jiayi Edition of Castrol lubricant, which was exclusively available through our distribution channel and has obtained OEM certifications from many luxury automotive brand partners. In the same month, we also partnered with Brembo, a world-renowned racing brake brand, to launch the Prime series of exclusive braking products, including brake pads, brake discs, and brake fluids. The strong brand recognition we have garnered provided a fertile ground for our private label products to thrive. In addition to our exclusive products, our private label maintenance product matrix is also taking shape, with brands including Pennzoil, Thinkauto and Honeywell gaining traction in China's market.

Propelled by the momentum of our tire and maintenance services, in 2023, revenue from our exclusive products and our private label products accounted for 42.4% and 25.9% of our automotive products and services revenue, respectively. In the future, as consumer's consumption habits mature, our product offering ranges expand in both variety and scale, and customer acceptance strengthens, we anticipate considerable growth potential for such kinds of product in China's market.

Chairman's Statement

Leveraging the high frequency and essential nature, we provide car wash and detailing services include Tuhu Quick Wash, Standard Car Wash, Delicate Car Wash and Interior Cleaning and Detailing Services across most Tuhu workshops and over 10,000 partner stores to cater to diverse customer needs. We have broadened our detailing service offerings across window films, paint protection films, colour changing films and other modification services and also revamped our supply system and bolstered personnel staffing, unlocking additional value from user conversion across our different business segments. In car accessories and modifications services segment, we focused on expanding the coverage and optimising the structure of our products and services in 2023. We have been proactively partnering with industry-leading brands to fulfil users' quest for high quality products. As for quick repair services segment, we have meticulously developed tailored service plans and promotional strategies particularly for dent repair and painting and accident-related services, to better serve both online and offline customers, striving to furnish car owners with satisfactory products and services.

NEV INITIATIVES

While we continue to service traditional internal combustion engine vehicles (ICEV), we are also undergoing a comprehensive upgrade to provide NEV-related services.

In response to the needs of NEV owners and the emergence of NEV-related product and services, we have launched customised APP pages to streamline the search for NEV products and services, thereby improving the customer experience in placing orders and accessing services. We have tailored offerings across our service lines, such as tires, maintenance, quick repair and car wash and detailing, to meet the user needs for popular NEV models in the market. In 2023, over 1.3 million NEV owners transacted with us on our platform. Our decade-long experience in servicing the traditional ICEV has furnished us with the expertise to better serve hybrid vehicle owners. In 2023, the number of hybrid NEV transacting users on our platform constitutes 9.3% of the total number of hybrid NEV users in China.

In terms of battery service capability, as the authorised after-sales maintenance service provider of 13 mainstream battery manufacturers in the PRC, we are able to provide specialised repair services to NEV owners through in-warranty orders dispatched by battery manufacturers. We are committed to the continuous professional development of our technicians. Currently, more than 8,000 technicians received the training and are equipped with different degree of NEV skills. Besides, 400 technicians already received low-voltage certification. Our robust service capabilities have led to over 22 thousand battery service orders in 2023 with the first ranking in the industry in terms of order volume, representing a year-on-year increase of over 60%, with services extended to more than 280 cities and towns.

LOGISTICS AND SUPPLY CHAIN

In 2023, we further improved the coverage, timeliness and cost efficiency of our supply chain logistics through continuous optimisation of our three-layered warehouse network composed of regional distribution centres, front distribution centres and in-store storage areas.

By the end of 2023, we had 34 regional distribution centres and 511 front distribution centres including partner distribution centres, and storage area in each of our workshops. We commissioned Wuhan automated regional distribution centre in 2023, which centre served as the logistical backbone for over 350 Tuhu workshops in Hubei Province since its inception, thereby boosting our operational efficiency and reducing costs. Our same-day or next-day arrival online tire orders accounted for 60% of the total online tire orders for 2023, and our online maintenance and other orders accounted for nearly 80% of the total online maintenance and other orders for 2023.

Chairman's Statement

By employing a dual approach that combines self-operated and partner-affiliated front distribution centres, we have significantly broadened the reach of our distribution services and simultaneously achieved cost reduction. Currently, more than 75% of Tuhu workshops in China are being covered by the timely delivery service of our front distribution centres. Aligning with our strategic initiative to penetrate lower-tier markets, in 2023, we had opened a total of 158 new front distribution centres in lower-tier markets, with our service timeliness standard being ranked the first in the industry.

ENVIRONMENT, SOCIAL, AND GOVERNANCE

While vigorously expanding our business, we have undertaken the social responsibility as an industry leader by actively engaging in social welfare activities.

To date, we have created more than 50,000 job opportunities, including technicians, injecting vitality into the automotive service industry chain and promoting high-quality career development while supporting employment in the industry. We initiated and have been providing "*Spring Festival non-closing*" service in workshops nationwide for seven consecutive years, addressing the common pain point of car maintenance inconvenience during the Spring Festival season due to store closures.

We have always been at the forefront in the face of natural disasters. On 6 August 2023, we donated RMB3.0 million to the Charity Federation of Hebei Province to support the flood rescue and post-disaster reconstruction in Zhuozhou, Baoding, Hebei Province. During the heavy rainfall in Beijing in August 2023, Tuhu car maintenance's emergency rescue service team was also mobilised, and over 200 Tuhu workshops in Beijing provided 24-hour rescue service to car owners.

We have been honoured with multiple awards in 2023. In November, we were recognised as a pilot enterprise in the "*National Service Industry Standardisation Pilot*" project by the National Standardisation Administration Committee and the National Development and Reform Commission. In December, as the only recognition project of the Ministry of Transportation and Communication in the auto repair industry, 108 Tuhu workshops were commended as "*2023 Recognition for Integrity Enterprises in the Auto Repair Industry.*" That same month, Tuhu was also recognised as an "*Enterprise Standard Leader*" for automotive aftermarket components, an honour jointly conferred by eight ministries and commissions. In addition, throughout the past year, we attained various other accolades such as "*Worker Pioneer Award,*" "*Top 100 Innovative Internet Enterprises,*" "*Enterprise Standard Leader,*" "*Pilot of Industry-Teaching Integration,*" "*Vocational Grade Evaluation,*" and "*Star of Zhangjiang.*"

CONCLUSION

We stand at the dawn of a new era, as the automotive aftermarket continues its trajectory of high-quality and robust development, presenting abundant opportunities for industry participants. Today's achievements pave the way for tomorrow's successes. We remain steadfast in our belief that "*little same step cover thousand miles*" and that "*little drops of water make the mighty ocean.*"

Finally, on behalf of the Board and the entire management team, I would like to express my heartfelt gratitude to our consumers, franchisees, suppliers, partners and employees, as well as to our investors, both longstanding and new. As we embark on the journey of 2024, we will continue to deliver value to society and our Shareholders.

Mr. Chen Min
Founder, Chairman, and Chief Executive Officer
Shanghai, 14 March 2024

Management Discussion and Analysis

SELECTED CONSOLIDATED INCOME STATEMENT ITEMS

Year Ended 31 December 2023 Compared to Year Ended 31 December 2022

	For the year ended 31 December	
	2023	2022
	(RMB in thousands)	
Revenue	**13,601,085**	11,546,851
Cost of revenue	**(10,241,732)**	(9,276,669)
Gross profit	**3,359,353**	2,270,182
Other income and gains, net	**118,362**	151,452
Operations and support expenses	**(600,390)**	(627,473)
Research and development expenses	**(579,615)**	(621,365)
Selling and marketing expenses	**(1,714,684)**	(1,542,216)
General and administrative expenses	**(420,194)**	(399,094)
Fair value changes on financial assets at fair value through profit or loss	**(1,308)**	4,594
Operating profit/(loss)	**161,524**	(763,920)
Finance income	**128,508**	56,934
Finance costs	**(18,823)**	(27,875)
Fair value changes of convertible redeemable preferred shares	**6,465,354**	(1,339,273)
Share of profits and losses of joint ventures and associates	**(11,217)**	(33,515)
Profit/(loss) before tax	**6,725,346**	(2,107,649)
Income tax expense	**(24,649)**	(30,666)
Profit/(loss) for the year	**6,700,697**	(2,138,315)
Adjusted EBITDA (non-IFRS measure)	**757,783**	(186,546)
Adjusted net profit/(loss) (non-IFRS measure)	**481,314**	(551,929)

Management Discussion and Analysis

Revenues

Our revenue for the year ended 31 December 2023 amounted to RMB13.6 billion, representing an increase of 17.8% as compared with RMB11.5 billion for the year ended 31 December 2022.

The following table sets forth the breakdown of our revenue, in amounts and as percentages of total revenue for the years indicated:

	For the year ended 31 December			
	2023		2022	
	RMB	*%*	*RMB*	*%*
	(in thousands, except for percentage)			
Automotive products and services				
Individual end customers				
– Tires and chassis parts	**5,552,904**	**40.8**	4,592,220	39.8
– Auto maintenance	**4,932,621**	**36.3**	4,025,150	34.9
– Others[1]	**779,891**	**5.7**	639,092	5.5
Subtotal	**11,265,416**	**82.8**	9,256,462	80.2
Qipeilong[2]	**1,381,364**	**10.2**	1,466,286	12.7
Subtotal	**12,646,780**	**93.0**	10,722,748	92.9
Advertising, franchise and other services				
Franchise services	**731,334**	**5.4**	549,679	4.8
Advertising services	**74,672**	**0.5**	59,256	0.5
Others	**148,299**	**1.1**	215,168	1.8
Subtotal	**954,305**	**7.0**	824,103	7.1
Total	**13,601,085**	**100.0**	11,546,851	100.0

Notes:

(1) Others under automotive products and services to individual end customers primarily consist of revenues from auto accessories, car detailing, automated car wash and repairs.

(2) Qipeilong primarily consist of sales of auto parts to (i) Tuhu workshops and partner stores; and (ii) third-party auto parts dealers/customers and service providers.

Management Discussion and Analysis

Revenue from automotive products and services

Our revenue from automotive products and services increased by 17.9% from RMB10.7 billion in 2022 to RMB12.6 billion in 2023. This increase was primarily due to (i) a 20.9% growth in revenue from tires and chassis parts segment, from RMB4.6 billion in 2022 to RMB5.6 billion in 2023, spurred by China's increased overall miles driven as a result of the delayed travel demand being released after the pandemic, which boosted the needs for tire changes; (ii) a 22.5% growth in revenue from auto maintenance segment, from RMB4.0 billion in 2022 to RMB4.9 billion in 2023, driven by the recovery of auto maintenance demand after the pandemic, coupled with the expansion of our Tuhu workshops network and growing customer base. The number of Tuhu workshops increased from 4,653 as of 31 December 2022 to 5,909 as of 31 December 2023; and (iii) a 22.0% growth in revenue from other products and services segment, from RMB639.1 million in 2022 to RMB779.9 million in 2023, primarily due to the growth of our window tinting and car wash businesses. The revenue increase was partially offset by a 5.8% decrease in revenue from sales of auto parts through Qipeilong, from RMB1.5 billion in 2022 to RMB1.4 billion in 2023, resulting from the decline in revenue from regional wholesale service as we strategically focusing on the instant procurement service within Qipeilong segment.

Revenue from advertising, franchise and other services

Our revenue from advertising, franchise and other services increased by 15.8% from RMB824.1 million in 2022 to RMB954.3 million in 2023. This increase was primarily due to (i) the growth in revenue from franchise service, reflecting (a) the expansion of franchised Tuhu workshops network from 4,491 as of 31 December 2022 to 5,757 as of 31 December 2023, (b) the growth in the management fees as a result of the cessation of our COVID-19 relief measures, such as the reduction and exemption of management fees, and (c) the progression in the profit-based royalty fees in line with the improved profitability of the franchised Tuhu workshops; and (ii) the growth in advertising services to brand owners, driven by brand owners' enhanced investment in marketing campaigns. This increase was partially offset by the decrease in revenue from our NEV new car sales as we deprioritised the NEVs sales business after a strategic review of our NEV initiatives.

Management Discussion and Analysis

Cost of Revenue

Our cost of revenue for the year ended 31 December 2023 amounted to RMB10.2 billion, representing an increase of 10.4% as compared with RMB9.3 billion for the year ended 31 December 2022.

The following table sets forth the breakdown of our cost of revenue, in amounts and as percentages of total revenue for the years indicated:

	For the year ended 31 December			
	2023		2022	
	RMB	*%*	*RMB*	*%*
	(in thousands, except for percentage)			
Cost of automotive products and services				
Individual end customers				
– Tires and chassis parts	4,586,683	33.7	3,945,254	34.2
– Auto maintenance	3,332,013	24.5	2,833,070	24.5
– Others	663,729	4.9	569,145	4.9
Subtotal	8,582,425	63.1	7,347,469	63.6
Qipeilong	1,160,086	8.5	1,292,252	11.2
Subtotal	9,742,511	71.6	8,639,721	74.8
Cost of advertising, franchise and other services				
Franchise services	81,734	0.6	72,157	0.6
Advertising services	3,004	0.0	5,562	0.0
Others	66,579	0.5	149,455	1.4
Subtotal	151,317	1.1	227,174	2.0
Cost of self-operated Tuhu workshops and others	347,904	2.6	409,774	3.5
Total	10,241,732	75.3	9,276,669	80.3

Management Discussion and Analysis

This increase was primarily due to a 12.8% growth in cost of automotive products and services, from RMB8.6 billion in 2022 to RMB9.7 billion in 2023, in line with our revenue growth resulting from the expansion of our Tuhu workshops network and customer base. This increase was partially offset by (i) a 33.4% decrease in cost of advertising, franchise and other services, from RMB227.2 million in 2022 to RMB151.3 million in 2023 due mainly to the termination of sales of NEV from certain brands; and (ii) a 15.1% decrease in cost of self-operated Tuhu workshops and others owing to (a) the decrease in write-down of inventory cost following the improvement of our overall inventory management resulting from the post-pandemic business recovery, and (b) the decrease in the number of our self-operated Tuhu workshops over the year, resulting from our stringent cost control measures implemented.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit of our Group was RMB3.4 billion for the year ended 31 December 2023, as compared with RMB2.3 billion for the year ended 31 December 2022.

Gross profit margin of our Group increased from 19.7% for the year ended 31 December 2022 to 24.7% for the year ended 31 December 2023, primarily due to (i) a 3.6% increase in gross profit margin on automotive products and services as a result of (a) higher revenue contribution from our auto maintenance segment, which generally have higher margin – as a percentage of total revenue, our revenue from auto maintenance segment increased from 34.9% in 2022 to 36.3% in 2023, (b) more favourable terms we gained from suppliers in line with our business growth, and (c) higher revenue contribution from our exclusive and private label products, which generally have higher gross margins than brand products; (ii) an 11.7% increase in gross profit margin on advertising, franchise and other services, driven by (a) the increased revenue contribution from our franchise service, while the cost remained relatively stable, and (b) the expansion of our advertising business; and (iii) the reduction in cost of self-operated Tuhu workshops and others.

Other Income and Gains, Net

Our other income and gains for the year ended 31 December 2023 amounted to RMB118.4 million, representing a decrease of 21.8% as compared with RMB151.5 million for the year ended 31 December 2022. This decrease was primarily due to the reduction in foreign exchange gains as a result of the relatively stable exchange rate of U.S. dollar against Renminbi in 2023.

Management Discussion and Analysis

Operations and Support Expenses

Our operations and support expenses decreased by 4.3% from RMB627.5 million for the year ended 31 December 2022 to RMB600.4 million for the year ended 31 December 2023, primarily due to the reduction in operation and support personnel cost and share-based payment expenses owing to the decreased number of operation and support personnel from 2,493 (being the average of the number of operation and support staff from 1 January 2022 to 31 December 2022) to 2,153 (being the average of the number of operation and support staff from 1 January 2023 to 31 December 2023). This decrease was partially offset by the increase in travel expenses in line with the post-pandemic business recovery.

Research and Development Expenses

Our research and development expenses for the year ended 31 December 2023 amounted to RMB579.6 million, representing a decrease of 6.7% as compared with RMB621.4 million for the year ended 31 December 2022. This decrease was primarily due to the decrease in cloud and outsourced service fees as we adopted a series of measures to reduce costs and increase efficiency, partially offset by the increase in research and development personnel cost due to higher year-end bonus we accrued to pay to employees compared with 2022.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 11.2% from RMB1.5 billion for the year ended 31 December 2022 to RMB1.7 billion for the year ended 31 December 2023, primarily due to (i) the increase in advertising and promotion-related expenses as part of our investments in marketing to further enhance our brand recognition, such as the sponsorship fee for the CSL; and (ii) the increase in shipping expenses incurred in relation to the delivery of automotive products among warehouses and stores in line with the business recovery. This increase was partially offset by the decrease in selling and marketing personnel cost and outsourced service fees as we implemented measures to efficiently manage human resource budgets throughout the year.

As a percentage of revenue, our selling and marketing expenses decrease from 13.4% in 2022 to 12.6% in 2023, which mainly reflects our efforts to improve operational efficiency.

Management Discussion and Analysis

General and Administrative Expenses

Our general and administrative expenses for the year ended 31 December 2023 amounted to RMB420.2 million, representing an increase of 5.3% as compared with RMB399.1 million for the year ended 31 December 2022. This increase was primarily due to (i) the increase in listing expenses of RMB16.6 million associated with the Global Offering; and (ii) the impairment of other intangible assets.

Finance Income

Our finance income for the year ended 31 December 2023 amounted to RMB128.5 million, representing a significant increase as compared with RMB56.9 million for the year ended 31 December 2022. This increase was primarily due to (i) higher interest rates on U.S. dollar-denominated time deposits; and (ii) the increase in average balance of time deposits and treasury investments.

Fair Value Changes of Convertible Redeemable Preferred Shares

We recorded a gain of RMB6.5 billion from the fair value changes of convertible redeemable preferred shares in 2023, compared to a loss of RMB1.3 billion in 2022. This positive fair value changes reflect our one-time fair value adjustment upon the Global Offering. All our convertible redeemable preferred shares were converted to Class A Shares and therefore, we will not incur fair value changes of convertible redeemable preferred shares thereafter.

Income Tax Expense

Our income tax expense for the year ended 31 December 2023 amounted to RMB24.6 million, representing a decrease of 19.6% as compared with RMB30.7 million for the year ended 31 December 2022. This decrease was primarily due to the decrease in taxable income of certain subsidiaries.

Profit/(loss) for the Year

As a result of the foregoing, our profit for the year amounted to RMB6.7 billion in 2023. In 2022, we recorded loss for the year of RMB2.1 billion.

Management Discussion and Analysis

Six Months Ended 31 December 2023 Compared to Six Months Ended 31 December 2022

	Unaudited For the six months ended 31 December	
	2023	2022
	(RMB in thousands)	
Revenue	**7,079,456**	6,078,823
Cost of revenue	**(5,298,212)**	(4,805,612)
Gross profit	**1,781,244**	1,273,211
Other income and gains, net	**35,139**	93,305
Operations and support expenses	**(328,370)**	(306,159)
Research and development expenses	**(281,658)**	(303,175)
Selling and marketing expenses	**(873,144)**	(800,377)
General and administrative expenses	**(234,740)**	(200,525)
Fair value changes on financial assets at fair value through profit or loss	**(3,678)**	(2,153)
Operating profit/(loss)	**94,793**	(245,873)
Finance income	**66,868**	39,371
Finance costs	**(9,344)**	(11,538)
Fair value changes of convertible redeemable preferred shares	**6,512,515**	(933,028)
Share of profits and losses of joint ventures and associates	**(9,622)**	(20,569)
Profit/(loss) before tax	**6,655,210**	(1,171,637)
Income tax expense	**(14,000)**	(14,819)
Profit/(loss) for the period	**6,641,210**	(1,186,456)
Adjusted EBITDA (non-IFRS measure)	**405,961**	35,694
Adjusted net profit/(loss) (non-IFRS measure)	**267,269**	(138,324)

Management Discussion and Analysis

Revenues

Our revenue for the six months ended 31 December 2023 amounted to RMB7.1 billion, representing an increase of 16.5% as compared with RMB6.1 billion for the same period of 2022.

The following table sets forth the breakdown of our revenue, in amounts and as percentages of total revenue for the periods indicated:

	Unaudited For the six months ended 31 December			
	2023		2022	
	RMB	*%*	*RMB*	*%*
	(in thousands, except for percentage)			
Automotive products and services				
Individual end customers				
– Tires and chassis parts	**2,875,264**	**40.6**	2,410,180	39.7
– Auto maintenance	**2,567,647**	**36.3**	2,146,002	35.3
– Others[(1)]	**415,909**	**5.9**	348,858	5.7
Subtotal	**5,858,820**	**82.8**	4,905,040	80.7
Qipeilong[(2)]	**729,162**	**10.3**	724,415	11.9
Subtotal	**6,587,982**	**93.1**	5,629,455	92.6
Advertising, franchise and other services				
Franchise services	**374,806**	**5.3**	295,623	4.9
Advertising services	**35,254**	**0.5**	32,935	0.5
Others	**81,414**	**1.1**	120,810	2.0
Subtotal	**491,474**	**6.9**	449,368	7.4
Total	**7,079,456**	**100.0**	6,078,823	100.0

Notes:

(1) Others under automotive products and services to individual end customers primarily consist of revenues from auto accessories, car detailing, automated car wash and repairs.

(2) Qipeilong primarily consist of sales of auto parts to (i) Tuhu workshops and partner stores; and (ii) third-party auto parts dealers/customers and service providers.

Management Discussion and Analysis

Revenue from automotive products and services

Our revenue from automotive products and services increased by 17.0% from RMB5.6 billion for the six months ended 31 December 2022 to RMB6.6 billion for the same period of 2023. This increase was primarily due to (i) a 19.3% growth in revenue from tires and chassis parts segment, from RMB2.4 billion for the six months ended 31 December 2022 to RMB2.9 billion for the six months ended 31 December 2023, spurred by China's increased overall miles driven as a result of the delayed travel demand being released after the pandemic, which boosted the needs for tire changes; (ii) a 19.6% growth in revenue from auto maintenance, from RMB2.1 billion for the six months ended 31 December 2022 to RMB2.6 billion for the six months ended 31 December 2023, driven by the recovery of auto maintenance demand after the pandemic, coupled with the expansion of our Tuhu workshop network and growing customer base; and (iii) a 19.2% growth in revenue from others products and services segment, from RMB348.9 million for the six months ended 31 December 2022 to RMB415.9 million for the same period of 2023, primarily due to the growth of our window tinting and car wash businesses.

Revenue from advertising, franchise and other services

Our revenue from advertising, franchise and other services increased by 9.4% from RMB449.4 million for the six months ended 31 December 2022 to RMB491.5 million for the same period of 2023. This increase was primarily due to the growth in revenue from franchise service, reflecting (a) the expansion of our franchised Tuhu workshops, (b) the growth in the management fees as a result of the cessation of our COVID-19 relief measures, such as the reduction and exemption of management fees, and (c) the increase in the profit-based royalty fees in line with the improved profitability of the franchised Tuhu workshops. This increase was partially offset by the decrease in revenue from our NEV new car sales as we deprioritised the NEVs sales business as a result of our NEV strategic review.

Cost of Revenue

Our cost of revenue for the six months ended 31 December 2023 amounted to RMB5.3 billion, representing an increase of 10.3% as compared with RMB4.8 billion for the same period of 2022.

Management Discussion and Analysis

The following table sets forth the breakdown of our cost of revenue, in amounts and as percentages of total revenue for the periods indicated:

	Unaudited For the six months ended 31 December			
	2023		2022	
	RMB	***%***	*RMB*	*%*
	(in thousands, except for percentage)			
Cost of automotive products and services				
Individual end customers				
– Tires and chassis parts	**2,337,029**	**33.0**	2,053,384	33.8
– Auto maintenance	**1,760,172**	**24.9**	1,493,096	24.6
– Others	**347,590**	**4.8**	309,594	5.1
Subtotal	**4,444,791**	**62.7**	3,856,074	63.5
Qipeilong	**613,162**	**8.7**	621,386	10.2
Subtotal	**5,057,953**	**71.4**	4,477,460	73.7
Cost of advertising, franchise and other services				
Franchise services	**42,989**	**0.7**	39,925	0.7
Advertising services	**1,306**	**0.0**	2,893	0.0
Others	**30,143**	**0.4**	82,030	1.4
Subtotal	**74,438**	**1.1**	124,848	2.1
Cost of self-operated Tuhu workshops and others	**165,821**	**2.3**	203,304	3.3
Total	**5,298,212**	**74.8**	4,805,612	79.1

This increase was primarily due to a 13.0% growth in cost of automotive products and services, from RMB4.5 billion for the six months ended 31 December 2022 to RMB5.1 billion for the six months ended 31 December 2023, in line with our revenue growth resulting from the expansion of our Tuhu workshops network and customer base. This increase was partially offset by (i) a 40.4% decrease in cost of advertising, franchise and other services, from RMB124.8 million for the six months ended 31 December 2022 to RMB74.4 million for the six months ended 31 December 2023 due mainly to the termination of sales of NEV from certain brands; and (ii) a 18.4% decrease in cost of self-operated Tuhu workshops and others, primarily due to the decrease in write-down of inventory cost resulting from the improvement of our overall inventory turnover.

Management Discussion and Analysis

Gross Profit and Gross Profit Margin

As a result of the foregoing, the gross profit of our Group was RMB1.8 billion for the six months ended 31 December 2023, as compared with RMB1.3 billion for the same period of 2022.

Gross profit margin of our Group increased from 20.9% for the six months ended 31 December 2022 to 25.2% for the six months ended 31 December 2023, primarily due to (i) a 2.7% increase in gross profit margin on automotive products and services as a result of (a) higher revenue contribution from our auto maintenance segment, which generally have higher margin – as a percentage of total revenue, our revenue from auto maintenance segment increased from 35.3% in the second half of 2022 to 36.3% in the second half of 2023, (b) more favourable terms we gained from suppliers in line with our business growth, and (c) higher revenue contribution from our exclusive and private label products, which generally have higher gross margins than brand products; (ii) an 12.7% increase in gross profit margin on advertising, franchise and other services, driven by (a) the increased revenue contribution from our franchise service, while the cost remained relatively stable, and (b) the increase in gross profit margin on franchise services and NEV initiatives; and (iii) the reduction in cost of self-operated Tuhu workshops and others.

Other Income and Gains, Net

Our other income and gains for the six months ended 31 December 2023 amounted to RMB35.1 million, representing a decrease of 62.3% as compared with RMB93.3 million for the same period of 2022. This decrease was primarily due to (i) the increase in foreign exchange losses resulting from the higher volatility of the exchange rate of U.S. dollar against Renminbi in the second half of 2023, and (ii) the decrease in one-off grants awarded by the local government in the second half of 2023.

Operations and Support Expenses

Our operations and support expenses increased by 7.3% from RMB306.2 million for the six months ended 31 December 2022 to RMB328.4 million for the same period of 2023, primarily due to the increase in travel expenses and outsourced service fees in line with the post-pandemic business recovery, partially offset by the reduction in operation and support personnel cost and share-based payment expenses owing to the decreased number of operation and support personnel from 2,325 (being the average of the number of operation and support staff from 1 July 2022 to 31 December 2022) to 2,090 (being the average of the number of operation and support staff from 1 July 2023 to 31 December 2023).

Research and Development Expenses

Our research and development expenses for the six months ended 31 December 2023 amounted to RMB281.7 million, representing a decrease of 7.1% as compared with RMB303.2 million for the same period of 2022. This decrease was primarily due to the decrease in cloud and outsourced service fees as we adopted a series of measures to reduce costs and increase efficiency, partially offset by the increase in research and development personnel cost due to higher year-end bonus we accrued to pay to employees compared with the same period in 2022.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 9.1% from RMB800.4 million for the six months ended 31 December 2022 to RMB873.1 million for the same period of 2023, primarily due to (i) the increase in advertising and promotion-related expenses as part of our investments in marketing to further enhance our brand recognition, such as the sponsorship fee for the CSL; and (ii) the increase in shipping expenses incurred in relation to the delivery of automotive products among warehouses and stores in line with the business recovery. This increase was partially offset by the decrease in selling and marketing personnel cost and outsourced service fees as we implemented measures to efficiently manage human resource budgets in the second half of 2023.

As a percentage of revenue, our selling and marketing expenses decrease from 13.2% for the six months ended 31 December 2022 to 12.3% for the six months ended 31 December 2023, which mainly reflects our efforts to improve operational efficiency.

General and Administrative Expenses

Our general and administrative expenses for the six months ended 31 December 2023 amounted to RMB234.7 million, representing an increase of 17.1% as compared with RMB200.5 million for the same period of 2022. This increase was primarily due to (i) the increase in listing expenses of RMB18.6 million associated with the Global Offering. (ii) the impairment of other intangible assets.

Finance Income

Our finance income for the six months ended 31 December 2023 amounted to RMB66.9 million, representing a significant increase as compared with RMB39.4 million for the same period of 2022. This increase was primarily due to (i) higher interest rates on U.S. dollar-denominated time deposits; and (ii) the increase in average balance of time deposits and treasury investments.

Fair Value Changes of Convertible Redeemable Preferred Shares

We recorded a gain of RMB6.5 billion from the fair value changes of convertible redeemable preferred shares for the six months ended 31 December 2023, compared to a loss of RMB933.0 million for the same period of 2022. This positive fair value changes reflect our one-time fair value adjustment upon the Global Offering. All our convertible redeemable preferred shares were converted to Class A Shares and therefore, we will not incur fair value changes of convertible redeemable preferred shares thereafter.

Income Tax Expense

Our income tax expense for the six months ended 31 December 2023 amounted to RMB14.0 million, representing a decrease of 5.5% as compared with RMB14.8 million for the same period of 2022. This decrease was primarily due to the decrease in taxable income of certain subsidiaries.

Management Discussion and Analysis

Profit/(loss) for the Period

As a result of the foregoing, our profit for the six months ended 31 December 2023 amounted to RMB6.6 billion. For the same period of 2022, we recorded loss of RMB1.2 billion.

Non-IFRS Measure

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted EBITDA (non-IFRS measure), and adjusted net profit/(loss) (non-IFRS measure) as additional financial measures, which are not required by or presented in accordance with IFRS. Adjusted EBITDA (non-IFRS measure) represents profit/(loss) for the year/period excluding income tax expense, finance income, finance costs, depreciation and amortisation, share-based payment expenses, fair value changes of convertible redeemable preferred shares and listing expenses. Adjusted net profit/(loss) (non-IFRS measure) represents profit/(loss) for the year/period excluding share-based payment expenses, fair value changes of convertible redeemable preferred shares and listing expenses.

	For the year ended 31 December		**Unaudited For the six months ended 31 December**	
	2023	2022	**2023**	2022
	(RMB in thousands)			
Profit/(loss) for the year/period	**6,700,697**	(2,138,315)	**6,641,210**	(1,186,456)
Adjusted for:				
Income tax expense	**24,649**	30,666	**14,000**	14,819
Finance income	**(128,508)**	(56,934)	**(66,868)**	(39,371)
Finance costs	**18,823**	27,875	**9,344**	11,538
Depreciation and amortisation	**361,505**	363,776	**182,216**	187,032
Share-based payment expenses	**201,629**	219,339	**106,216**	101,336
Fair value changes of convertible redeemable preferred shares	**(6,465,354)**	1,339,273	**(6,512,515)**	933,028
Listing expenses	**44,342**	27,774	**32,358**	13,768
Adjusted EBITDA (non-IFRS measure)	**757,783**	(186,546)	**405,961**	35,694

Management Discussion and Analysis

	For the year ended 31 December		Unaudited For the six months ended 31 December	
	2023	2022	**2023**	2022
	(RMB in thousands)			
Profit/(loss) for the year/period	**6,700,697**	(2,138,315)	**6,641,210**	(1,186,456)
Adjusted for:				
Share-based payment expenses	**201,629**	219,339	**106,216**	101,336
Fair value changes of convertible redeemable preferred shares	**(6,465,354)**	1,339,273	**(6,512,515)**	933,028
Listing expenses	**44,342**	27,774	**32,358**	13,768
Adjusted net profit/(loss) (non-IFRS measure)	**481,314**	(551,929)	**267,269**	(138,324)

We present the non-IFRS financial measures because they are used by our management to evaluate our operating performance and formulate business plans. Adjusted EBITDA (non-IFRS measure) enables our management to assess our operating results eliminating the impact of income tax expense, finance income, finance costs, depreciation and amortisation, share-based payment expenses, fair value changes of convertible redeemable preferred shares and listing expenses. Adjusted net profit/(loss) (non-IFRS measure) enables our management to assess our operating results eliminating the impact of share-based payment expenses, fair value changes of convertible redeemable preferred shares and listing expenses.

Adjusted EBITDA (non-IFRS measure) and adjusted net profit/(loss) (non-IFRS measure) should not be considered in isolation or construed as an alternative to profit/(loss) for the year/period or any measure of performance. Investors are encouraged to review our historical non-IFRS financial measures together with the most directly comparable IFRS measures. Adjusted EBITDA (non-IFRS measure) and adjusted net profit/(loss) (non-IFRS measure) presented here may not be comparable to similarly titled measures presented by other companies. Other companies may calculate similarly titled measures differently, limiting their usefulness as comparative measures to our data. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure.

SELECTED CONSOLIDATED BALANCE SHEET DATA

	As of 31 December	
	2023	2022
	(RMB in thousands)	
NON-CURRENT ASSETS		
Property, plant and equipment	**899,188**	671,032
Right-of-use assets	**466,946**	467,714
Goodwill	**20,323**	15,820
Other intangible assets	**57,804**	69,975
Long-term treasury investments	**1,065,260**	–
Financial investments at fair value through profit or loss	**191,043**	227,120
Investments in joint ventures and associates	**362,612**	279,069
Equity investments designated at fair value through other comprehensive income	**356,240**	289,312
Restricted cash	**7,799**	403
Other non-current assets	**66,189**	87,825
Total non-current assets	**3,493,404**	2,108,270
CURRENT ASSETS		
Inventories	**1,799,796**	1,542,547
Trade receivables	**218,179**	173,731
Prepayments, other receivables and other assets	**496,100**	456,257
Short-term treasury investments	**1,587,126**	540,036
Restricted cash	**1,454,795**	1,506,922
Cash and cash equivalents	**2,715,285**	2,686,353
Total current assets	**8,271,281**	6,905,846
CURRENT LIABILITIES		
Trade and bills payables	**3,886,756**	3,119,324
Other payables and accruals	**1,719,505**	1,566,010
Contract liabilities	**742,667**	653,045
Interest-bearing borrowings	**1,009**	–
Tax payable	**120,096**	97,225
Lease liabilities	**132,320**	136,595
Total current liabilities	**6,602,353**	5,572,199
NET CURRENT ASSETS	**1,668,928**	1,333,647
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,162,332**	3,441,917

Management Discussion and Analysis

	As of 31 December	
	2023	2022
	(RMB in thousands)	
NON-CURRENT LIABILITIES		
Convertible redeemable preferred shares	**–**	21,726,488
Interest-bearing borrowings	**7,500**	–
Contract liabilities	**58,777**	60,268
Lease liabilities	**223,840**	203,735
Deferred tax liabilities	**7,391**	10,333
Other non-current liabilities	**406,505**	397,657
Total non-current liabilities	**704,013**	22,398,481
Net assets/(liabilities)	**4,458,319**	(18,956,564)
EQUITY		
Equity attributable to owners of the parent		
Share capital	**118**	21
Reserves/(deficits)	**4,459,854**	(18,956,780)
	4,459,972	(18,956,759)
Non-controlling interests	**(1,653)**	195
Total equity	**4,458,319**	(18,956,564)

Trade Receivables

Trade receivables primarily represent (i) trade receivables from franchised Tuhu workshops and third-party auto dealers for payment of auto products sourced from Qipeilong platform; (ii) trade receivables from certain key account customers for bulk purchase of automotive services; (iii) trade receivables from franchised Tuhu workshops in connection with the franchises services we provide; and (iv) trade receivables from brand owners in connection with the advertising services we provide.

Management Discussion and Analysis

The below table sets forth the breakdown of trade receivables as of the dates indicated.

	As of 31 December	
	2023	2022
	(RMB in thousands)	
Trade receivables from bulk sales to key account customers	**67,680**	65,289
Trade receivables from sales on Qipeilong	**27,222**	27,788
Trade receivables from franchise services	**63,896**	38,886
Trade receivables from advertising services	**44,579**	37,659
Others	**30,040**	19,354
Allowance for expected credit losses	**(15,238)**	(15,245)
Total	**218,179**	173,731

Our trade receivables as of 31 December 2023 amounted to RMB218.2 million, representing an increase of 25.6% as compared with RMB173.7 million as of 31 December 2022. This increase was primarily due to (i) the growth in amount receivable from franchise services in line with the expansion of franchised Tuhu workshops network; (ii) the growth in amount receivable from advertising services driven by the increased advertising investment from key account customers; and (iii) the growth in amount receivable from others mainly attributable to the higher revenue contribution from our SaaS solutions.

Prepayments, Other Receivables and Other Assets

Prepayments, other receivables and other assets primarily include (i) advances to suppliers for purchase of goods and services, such as tires; (ii) deposits and other receivables, which mainly of lease deposits in connection with leased warehouses and offices; and (iii) VAT recoverable.

Management Discussion and Analysis

The below table sets forth the breakdown of prepayments, other receivables and other assets as of the dates indicated.

	As of 31 December	
	2023	2022
	(RMB in thousands)	
Prepayments	**169,480**	157,637
Deposits and other receivables	**102,949**	127,610
VAT recoverable	**220,129**	148,157
Loans receivable	**1,348**	22,727
Receivable from employees	**3,813**	3,070
Impairment allowance	**(1,619)**	(2,944)
Total	**496,100**	456,257

Our prepayments, deposits and other receivables increase by 8.7% from RMB456.3 million as of 31 December 2022 to RMB496.1 million as of 31 December 2023, primarily due to the increase in prepayment and VAT recoverable in line with our business growth, partially offset by (i) the decrease in deposits and other receivables resulting from recovering receivables related to our car wash business and certain retrieving rental deposits; and (ii) the decrease in loans receivables as we received repayments from certain borrowers.

Treasury Investments

Treasury investments primarily consist of wealth management products issued by major and reputable commercial banks without guaranteed returns, which are measured at fair value through profit or loss, and certificate of deposit and time deposit, which are measured at amortised cost.

Management Discussion and Analysis

The below table sets forth the breakdown of treasury investments as of the dates indicated.

	As of 31 December	
	2023	2022
	(RMB in thousands)	
Long-term treasury investments at		
– Amortised cost	**1,065,260**	–
Short-term treasury investments measured at		
– Amortised cost	**354,135**	514,115
– Fair value through profit or loss	**1,232,991**	25,921
Total	**2,652,386**	540,036

Our treasury investments as of 31 December 2023 amounted to RMB2.7 billion, representing a significant increase as compared with RMB540.0 million as of 31 December 2022. This increase was primarily due to the purchase of long-term wealth management products to optimise financial returns while maintaining capital safety and liquidity.

Restricted Cash

The restricted cash primarily consists of security deposits held in designated bank accounts for issuance of bills payable and letters of guarantee.

The below table sets forth the breakdown of restricted cash as of the dates indicated.

	As of 31 December	
	2023	2022
	(RMB in thousands)	
Non-current portion	**7,799**	403
Current portion	**1,454,795**	1,506,922
Total	**1,462,594**	1,507,325

Management Discussion and Analysis

Cash and Cash Equivalents

Cash and cash equivalents primarily consist of cash at bank and in hand and time deposits with original maturities within three months.

The below table sets forth the breakdown of cash and cash equivalents as of the dates indicated.

	As of 31 December	
	2023	2022
	(RMB in thousands)	
Cash at banks and on hand	**1,270,354**	2,247,583
Time deposits with original maturities within three months	**1,444,931**	438,770
Total	**2,715,285**	2,686,353

Trade and Bills Payable

Trade and bills payables represent payable to suppliers from whom we purchase auto products and payable to service providers for services provided.

The below table sets forth the breakdown of trade and bills payable as of the dates indicated.

	As of 31 December	
	2023	2022
	(RMB in thousands)	
Trade payables	**965,351**	808,085
Bills payable	**2,921,405**	2,311,239
Total	**3,886,756**	3,119,324

Our trade and bills payables increased by 24.6% from RMB3.1 billion as of 31 December 2022 to RMB3.9 billion as of 31 December 2023, primarily due to the increase in the procurement of merchandise in line with our business growth.

Management Discussion and Analysis

Other Payables and Accruals

Other payables and accruals mainly represent salary and welfare payable and other tax payable.

The below table sets forth the breakdown of other payables and accruals as of the dates indicated.

	As of 31 December	
	2023	2022
	(RMB in thousands)	
Other tax payable	**304,673**	307,283
Payroll and welfare payable	**588,024**	539,397
Accrual and other payables	**826,808**	719,330
Total	**1,719,505**	1,566,010

Our other payables and accruals as of 31 December 2023 amounted to RMB1.7 billion, representing an increase of 9.8% as compared with RMB1.6 billion as of 31 December 2022. This increase was primarily due to (i) the growth in refundable deposits from potential franchisees prior to entering into the franchise agreements spurred by the expansion of our store network; (ii) the growth in construction in progress payable in relation to certain warehouse; (iii) the growth in accrued advertising and promotion-related fees corresponding to our intensified marketing efforts; and (iv) the growth in salary and welfare payables attributed to the higher year-end bonus we accrued to pay to employees in 2023.

Convertible Redeemable Preferred Shares

Our convertible redeemable preferred shares decreased from RMB21.7 billion as of 31 December 2022 to nil as of 31 December 2023, primarily due to all our convertible redeemable preferred shares were converted to Class A Shares upon completion of the Global Offering.

FINANCIAL RATIOS

The following table sets forth certain of the key financial ratios as of the dates or for the years or periods indicated:

	As of/For the year ended 31 December		Unaudited As of/For the six months ended 31 December	
	2023	2022	**2023**	2022
Gearing ratio (%)(1)	**62.1**	69.3	**62.1**	69.3
Total revenue growth rate (%)(2)	**17.8**	(1.5)	**16.5**	(2.7)
Gross margin (%)(3)	**24.7**	19.7	**25.2**	20.9
Adjusted EBITDA margin (non-IFRS measure) (%)(4)	**5.6**	(1.6)	**5.7**	0.6
Adjusted net profit/(loss) margin (non-IFRS measure) (%)(5)	**3.5**	(4.8)	**3.8**	(2.3)

Notes:

(1) Gearing ratio equals total liabilities minus convertible redeemable preferred shares, divided by total assets as of the end of the year or period.

(2) Revenue growth rate equals revenue growth divided by revenue for the previous year or period.

(3) Gross margin equals gross profit divided by revenue during the year or period.

(4) Adjusted EBITDA margin equals adjusted EBITDA (non-IFRS measure) divided by revenue during the year or period.

(5) Adjusted net profit/(loss) margin equals adjusted net profit/(loss) (non-IFRS measure) divided by revenue during the year or period.

Management Discussion and Analysis

LIQUIDITY AND CAPITAL RESOURCES

During the year ended 31 December 2023, we funded our cash requirements principally from cash generated from our operations and net proceeds from the Global Offering. Our cash position(Note 1) increased by 44.3% from RMB4.7 billion as 31 December 2022 to RMB6.8 billion as 31 December 2023.

SELECTED CONSOLIDATED CASH FLOW DATA

The following table sets forth our cash flows for the years indicated:

	For the year ended 31 December	
	2023	2022
	(RMB in thousands)	
Net cash flows from/(used in) operating activities	**1,021,291**	(312,711)
Net cash flows (used in)/from investing activities	**(2,371,766)**	481,347
Net cash flows from financing activities	**1,349,785**	935,977
Net (decrease)/increase in cash and cash equivalents	**(690)**	1,104,613
Cash and cash equivalents at the beginning of the year	**2,686,353**	1,472,293
Effect of foreign exchange rate changes, net	**29,622**	109,447
Cash and cash equivalents at the end of the year	**2,715,285**	2,686,353

Net Cash Flows from Operating Activities

Net cash flows from operating activities in 2023 was RMB1.0 billion, which was mainly attributable to our profit before tax of RMB6.7 billion, as adjusted by (i) non-cash and non-operating items, primarily consisted of gain on fair value changes of convertible redeemable preferred shares of RMB6.5 billion, share-based payments expenses of RMB201.6 million, depreciation of right-of-use assets of RMB196.3 million and depreciation of property, plant and equipment of RMB160.4 million; and (ii) changes in working capital, primarily resulted from an increase in trade and bills payables of RMB766.3 million and an increase in other payables and accruals of RMB127.5 million, partially offset by an increase in restricted cash of RMB348.7 million and an increase in inventories of RMB272.5 million.

Note:

1. Cash position includes cash and cash equivalents, treasury investments and restricted cash.

Management Discussion and Analysis

Net Cash Flows Used in Investing Activities

Net cash flows used in investing activities in 2023 was RMB2.4 billion, which was mainly attributable to purchase of treasury investments of RMB2.8 billion and purchases of property, plant and equipment of RMB360.0 million, partially offset by proceeds from treasury investments of RMB686.2 million and interest income of RMB129.0 million.

Net Cash Flows from Financing Activities

Net cash flows from financing activities in 2023 was RMB1.3 billion, which was mainly attributable to net proceeds from issuance of Class A Shares relating to the Global Offering.

CONTINGENT LIABILITIES AND GUARANTEES

As of 31 December 2023, we did not have any material contingent liabilities or guarantees.

CAPITAL EXPENDITURES

Our capital expenditures primarily consisted of payments for property, plant and equipment, payments for land use rights and payments for other intangible assets. Our capital expenditures were RMB362.0 million for the year ended 31 December 2023 and RMB400.6 million for the year ended 31 December 2022.

We plan to fund our future capital expenditures by our internal resources including our cash and cash equivalents and the net proceeds received from the Global Offering.

CAPITAL COMMITMENTS

Capital commitments were primarily related to the construction of new automated warehouses and scheduled to be paid within one to two years. The following table sets forth our capital commitments as of the date indicated:

	As of 31 December	
	2023	2022
	(RMB in thousands)	
Contracted, but not provided for property, plant and equipment	**208,831**	478,280

Management Discussion and Analysis

CHARGES ON ASSETS

As of 31 December 2023, our Group did not have any charge on its assets.

FUTURE PLANS FOR MATERIAL INVESTMENTS

As of the date of this report, save for the "Future Plans and Use of Proceeds" disclosed in the Prospectus, our Group does not have any concrete committed plans for material investments and capital assets for disclosure.

FOREIGN EXCHANGE RISK AND HEDGING

We operate our businesses mainly in the PRC and nearly all operational transactions are conducted in RMB. Our foreign currency exposures mainly arise from the bank balances denominated in US$ held by our subsidiaries incorporated in the PRC. We currently do not have a foreign currency hedging policy. However, we manage foreign exchange risks by closely monitoring our foreign exchange exposure and will consider hedging against significant foreign exchange risks should the need arise.

MATERIAL ACQUISITIONS, SIGNIFICANT INVESTMENTS AND DISPOSALS

During the year ended 31 December 2023, we did not make any material acquisitions, significant investments or disposals of subsidiaries, associates and joint ventures.

EMPLOYEES AND REMUNERATION

As of 31 December 2023, we had a total of 4,729 employees (as of 31 December 2022: 4,960). For the year ended 31 December 2023, we incurred total remuneration costs of RMB1.7 billion (for the year ended 31 December 2022: RMB1.8 billion). The remuneration packages of our employees include wages, salaries and allowances, pension scheme contributions and share-based payment expense, the amount of which is generally determined by their qualifications, industry experience, position and performance. We contribute to social insurance and housing provident funds as required by the PRC laws and regulations.

During the year ended December 31, 2023, no forfeited contributions had been used by the Group to reduce the existing level of contributions.

To maintain the quality, knowledge and skill levels of the workforce, our Group provides regular and specialised trainings tailored to the needs of employees in different departments, including regular training sessions conducted by senior employees or third party consultants covering various aspects of the our business operations.

Profiles of Directors and Senior Management

The biographical details of the Directors and senior management of the Company as at the Latest Practicable Date are set out as follows:

EXECUTIVE DIRECTORS

Mr. Chen Min (陳敏), aged 42, is a co-founder of the Company, chairman of the Board, chief executive officer and executive Director. He took on the role of executive Director in July 2019.

Mr. Chen worked at Shanghai Yingdao Trading Co., Ltd. from June 2010 to September 2011, and at Shanghai Yidao Network Technology Co., Ltd. from September 2009 to May 2010. Prior to that, Mr. Chen served as an IT Operation Manager at Baixing Co., Ltd. from May 2008 to May 2009 and worked at Chemeng (China) Network Co., Ltd. from March 2006 to December 2007. Mr. Chen also served as a software engineer at Hewlett-Packard Company from February 2005 to January 2006 and quality analyst at Shanghai Wicresoft Co., Ltd. from July 2003 to January 2005. Mr. Chen has nearly 20 years of experience in software development and data management and over 12 years of experience in automotive service market and business data analysis.

Mr. Chen received a bachelor's degree in economics from Shanghai University of Finance and Economics in July 2003 in the PRC.

Mr. Hu Xiaodong (胡曉東), aged 52, is a co-founder of the Company, president and executive Director. He took on the role of executive Director in October 2019.

Prior to co-founding the Group, Mr. Hu served in various engineering leadership roles. Mr. Hu worked at Shanghai Naijia Software Technology Development Co., Ltd. from 2009 to 2011, responsible for business and system analysis. Mr. Hu also worked at Shanghai Yidao Network Technology Co., Ltd. from 2008 to 2009. Prior to that, he worked as research and development director at Chemeng (China) Network Co., Ltd. from 2006 to 2007, senior programmer at Shanghai Branch of SAP (Beijing) Software System Co., Ltd. from June 2001 to June 2006, and engineer and E-commerce consultant at Shanghai Branch of Microsoft (China) Co., Ltd. from 2000 to 2001.

Mr. Hu received a bachelor's degree in engineering with a major in telecommunications engineering from North China Electric Power University in July 1993 and completed his postgraduate programme of telecommunications and information systems at Shanghai Jiao Tong University in September 1999 in the PRC.

NON-EXECUTIVE DIRECTOR

Mr. Yao Leiwen (姚磊文), aged 41, is a non-executive Director. He became part of the Group in August 2018 and took on the role of non-executive Director in October 2019. Mr. Yao is primarily responsible for providing professional advice, opinion, and guidance to the Board.

Mr. Yao is currently a Vice General Manager of the Investment Department in Tencent. He has served as a non-executive director of Kingsoft Corporation Limited, a company listed on the Stock Exchange of Hong Kong (stock code: 3888), since August 2022 and as the non-executive director of Sipai Health Technology Co,. Ltd., a company listed on the Stock Exchange of Hong Kong (stock code: 314), since October 2019. Prior to joining Tencent in June 2011, he was an investment director at Mindray Bio-Medical Electronics from October 2010 to June 2011 and served as an investment associate of Deutsche Bank from February 2005 to August 2008.

Profiles of Directors and Senior Management

Mr. Yao received his bachelor's degree in Economic Information Management in July 2002 and his master's degree in finance in June 2005 from University of International Business and Economics in the PRC. He received a master's degree in business administration from the Institut Européen d'Administration des Affaires in France in July 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Yan Huiping (顏惠萍), aged 57, is an independent non-executive Director effective from September 2023. Ms. Yan is primarily responsible for supervising and providing independent judgement to the Board.

Ms. Yan is currently chief financial officer of ZTO Express (Cayman) Inc. ("**ZTO Express**"), a company listed on the Main Board of the Stock Exchange (stock code: 2057) and on the New York Stock Exchange (stock symbol: ZTO), and she served as vice president of finance at ZTO Express from January 2018 to May 2018. Ms. Yan also worked as a senior vice-president responsible for financial affairs at Neoglory Holdings Group Co. Ltd. from March to November 2017. Prior to that, Ms. Yan served as chief financial officer from May 2014 to January 2016 at Zhejiang Cainiao Supply Chain Management Co., Ltd., which is the logistics arm of Alibaba Group Holding Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 9988) and the New York Stock Exchange (stock symbol: BABA). Ms. Yan also served as a senior vice president of finance and strategy from September 2009 to April 2010 and chief financial officer from April 2010 to April 2014 at Home Inns & Hotel Management Inc., a company listed on NASDAQ (stock symbol: HMIN, which was delisted in April 2016). Prior to that, Ms. Yan held various key positions in corporate and operational finance management at General Electric Company from August 1998 to August 2009, and she worked in various positions at Deloitte & Touche from February 1992 to July 1998. Ms. Yan accumulated corporate governance knowledge and experience through her aforementioned management positions at General Electric Company, Home Inns & Hotel Management Inc., Zhejiang Cainiao Supply Chain Management Co., Ltd. and ZTO Express.

Ms. Yan studied in English Literature and Linguistics major at Shanghai International Studies University, and received her bachelor's degree in business and administration at Hawaii Pacific University in August 1991. Ms. Yan has been a U. S. certified public accountant since 1994 and became a CGMA designation holder (AICPA) in 2012.

Mr. Feng Wei (奉瑋), aged 44, is an independent non-executive Director effective from September 2023. Mr. Feng is primarily responsible for supervising and providing independent judgement to the Board.

Mr. Feng has served as chief financial officer at NIO Inc., a company listed on the New York Stock Exchange (stock symbol: NIO), the Main Board of the Stock Exchange (stock code: 9866) and the Singapore Exchange (stock symbol: NIO), since November 2019. Prior to joining NIO Inc., Mr. Feng served as managing director and head analyst of the auto industry team at China International Capital Corporation Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3908) and on the Shanghai Stock Exchange (stock code: 601995), from November 2013 to November 2019. Prior to that, Mr. Feng served as an industry analyst at Everbright Securities Co. Ltd., a company listed on the Shanghai Stock Exchange (stock code: 601788) and on the Main Board of the Stock Exchange (stock code: 6178), from July 2010 to November 2013. Mr. Feng's career also includes more than five years' work experience from March 2005 to June 2010 at the ZF (China) Investment Co., Ltd. where he served as a manager of market analysis. Mr. Feng accumulated corporate governance knowledge and experience through his aforementioned management positions at China International Capital Corporation Limited and NIO Inc.

Mr. Feng received his bachelor's degree in Engineering from the Department of Automotive Engineering at Tsinghua University in the PRC in July 2001, and his joint master's degree in Automotive System Engineering from Rheinisch-Westfälische Technische Hochschule Aachen University in Germany and Tsinghua University in the PRC in July 2004.

Mr. Wang Jingbo (王靜波), aged 42, is an independent non-executive Director effective from September 2023. Mr. Wang is primarily responsible for supervising and providing independent judgement to the Board.

Mr. Wang has served as chief financial officer of Agora, Inc., a company listed on NASDAQ (stock symbol: API), since January 2020. Mr. Wang has also served as an independent non-executive director of Edianyun Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2416), since May 2023, and an independent director of ATRenew Inc., a company listed on the New York Stock Exchange (stock symbol: RERE), since June 2021. Mr. Wang previously served as a director and the chief financial officer of Qutoutiao Inc., a company previously listed on the NASDAQ, from February 2018 to January 2020, and as the chief financial officer of Yintech Investment Holdings Limited, a company previously listed on NASDAQ, from October 2014 to February 2018. Prior to that, Mr. Wang worked at Deutsche Bank from 2009 to 2014 with last position held being a vice president in the corporate finance division. Mr. Wang accumulated corporate governance knowledge and experience through his aforementioned management positions and directorship at Yintech Investment Holdings Limited, Qutoutiao Inc. and Agora, Inc.

Mr. Wang graduated from Tsinghua University in the PRC with a bachelor's degree in engineering in July 2003, and obtained his master's degree in computer science from the University of Hong Kong in December 2005. He was awarded a PhD degree in management studies from the University of Oxford in the United Kingdom in March 2010.

SENIOR MANAGEMENT

Mr. Chen Min (陳敏), is a co-founder of the Company, chairman of the Board, chief executive officer and executive Director. See "– Board of Directors – Executive Directors" in this section for his biographical details.

Mr. Hu Xiaodong (胡曉東), is a co-founder of the Company, president and executive Director. See "– Board of Directors – Executive Directors" in this section for his biographical details.

Ms. Wang Lingjie (王玲潔), aged 41, is the chief operating officer of the Company. She became part of the Group in September 2019 and took on the role of chief operating officer of the Company in March 2024.

Prior to joining the Group, Ms. Wang worked as human resources director at Tianjin Sankuai Technology Co., Ltd, a subsidiary of Meituan, a company listed on the Main Board (stock code: 3690), from July 2015 to September 2019. Ms. Wang co-founded Shanghai Xiangfenxiang Information Technology Co., Ltd. and served as a supervisor from November 2014 to June 2015. Prior to that, Ms. Wang served as a human resources leader at Shanda Computer (Shanghai) Co., Ltd. from July 2011 to August 2014. Prior to that, Ms. Wang served as a human resource manager at Ctrip Computer Technology (Shanghai) Co., Ltd. from July 2010 to July 2011.

Profiles of Directors and Senior Management

Ms. Wang received her bachelor's degree in English from Inner Mongolia University in the PRC in July 2005 and her master's degree of arts in language and culture from Linköping University in Sweden in 2008.

Mr. Zhang Zhisong (張志嵩), aged 40, is the chief financial officer of the Company. He became part of the Group in July 2021 and took on the role of the chief financial officer of the Company in July 2022.

Mr. Zhang was the deputy chief financial officer and senior vice president from July 2021 to July 2022. Prior to joining the Group, Mr. Zhang served as executive director at Goldman Sachs (Asia) L.L.C. from 2018 to 2021. Prior to that, Mr. Zhang served as vice president at Citigroup Global Markets Asia Limited from 2015 to 2018 and associate at Merrill Lynch (Asia Pacific) Ltd. from 2014 to 2015. He also worked at Deutsche Bank AG as an associate from 2008 to 2014.

Mr. Zhang received his master's degree in management from Cass Business School in the United Kingdom in October 2008.

JOINT COMPANY SECRETARIES

Mr. Chen Zhe (陳哲), joined the Company on 20 December 2021 as head of investor relations centre and is our joint company secretary. Prior to joining the Company, Mr. Chen served as head of investor relations department at Ping An Healthcare and Technology Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1833), from December 2019 to December 2021. Prior to that, Mr. Chen worked as a senior associate at strategic investment department and a senior manager at investor relations department from July 2017 to December 2019 at Tongcheng Network Technology Limited, a consolidated affiliated entity of Tongcheng-Elong Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0780). Prior to that, Mr. Chen worked at Wanda Group from September 2016 to June 2017, and worked at Huabao (Shanghai) Management Co., Ltd. from June 2015 to September 2016.

Mr. Chen obtained his bachelor's degree in Japanese from Southeast University in China in June 2012, and his master's degree of science in management with international finance from University of Glasgow in the United Kingdom in December 2013.

Mr. Lee Chung Shing (李忠成) is the joint company secretary of the Company. Mr. Lee has over 20 years of experience in providing auditing, financial management, company secretarial and investor relations services to listed companies in Hong Kong. He is currently an assistant vice president of Governance Services of Computershare Hong Kong Investor Services Limited and the joint company secretary and the company secretary of various companies listed on the Stock Exchange.

Mr. Lee obtained his bachelor's degree in accountancy from City University of Hong Kong in December 1994 and a master's degree in business administration (financial services) from The Hong Kong Polytechnic University in November 2002. Mr. Lee is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the period from the Listing Date to 31 December 2023.

CORPORATE CULTURE

Tuhu is one of the leading integrated online and offline platforms for automotive service in China. By providing a digitalised and on-demand service experience underpinned by the customer centric model and streamlined supply chain, the Company directly addresses car owners' diverse product and service needs, creating an automotive service platform consisting of car owners, suppliers, automotive service stores and other participants, with the goal to provide its customers high-quality services and attractive pricing for authentic automotive products on its platform.

The corporate ethos of Tuhu is rooted in a commitment to ongoing learning and enhancement, fostering a culture of innovation and adaptability in the face of an ever-evolving landscape. Embracing this mindset, the Group confronts obstacles with optimism, drawing lessons from difficulties to better tackle future challenges.

Upholding the highest standards of governance, transparency, and integrity, the leadership team of the Group sets a strong example. The Group upholds its corporate values, which include, "customer first," "value creation through relentless innovation," "franchisee-oriented service philosophy," "continuous improvement," "stay off fraud," and "win-win collaboration."

The Board ensures these values are embedded throughout the Group, shaping its corporate culture and aligning its purpose, culture and values across all areas of the business. The Group's operating practices, workplace policies and stakeholder relationships give the Group the opportunity to bring its culture and values to life, supported by a strong governance framework, disciplined risk management and effective internal controls, which create long-term value for Shareholders through continued, sustainable business development.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value, accountability and transparency.

The Company has adopted and applied the principles as set out in the Corporate Governance Code in Appendix C1 to the Listing Rules. The Board is of the view that during the period from the Listing Date to 31 December 2023, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code, except for code provision C.2.1 described in "– Board of Directors – Chairman and Chief Executive Officer" in this corporate governance report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company.

Having made specific enquiries of all the Directors, each of the Directors has confirmed that he/she has complied with the provisions of the Model Code during the period from the Listing Date to 31 December 2023.

Corporate Governance Report

The Company's relevant employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company's relevant employees was noted by the Company during the period from the Listing Date to 31 December 2023.

BOARD OF DIRECTORS

Board Composition

For details of Board composition, see "Corporate Information" of this annual report. The biographical information of the Directors is set out in "Profiles of Directors and Senior Management" of this annual report. To the best knowledge of the Company, there are no financial, business, family, or other material/relevant relationships among members of the Board.

During the period from the Listing Date to the date of this annual report, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board and at least one independent non-executive Director with appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his or her independence pursuant to the requirements of the Listing Rules. The Company considers all the independent non-executive Directors to be independent in accordance with the independence requirements as set out in Rule 3.13 of the Listing Rules.

Responsibilities and Delegation

The Board is responsible for the leadership and control of the Company, directing and supervising the Company's affairs and acting in the best interests of the Company and its Shareholders.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound risk management and internal control systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have full and timely access to all the information of the Company, and may upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The Directors have disclosed to the Company details of other offices held by them. The Board reserves for its discretion on all major matters relating to policy matters, strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the chief executive officer and senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions is entered into.

Chairman and Chief Executive Officer

Code provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The Company does not have a separate chairman of the Board and chief executive officer and Mr. Chen Min currently performs these two roles. The Board believes that vesting the roles of both chairman of the Board and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company if and when it is appropriate taking into account the circumstances of the Group as a whole.

Appointment, Re-election and Removal of Directors

The procedures and process of appointment, re-election and removal of the Directors are laid down in the Articles of Association.

In accordance with the Articles of Association, the Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director, and by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office. At every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which such Director retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

Each Director is engaged for a term of three years. They are subject to retirement, re-election and removal in accordance with the provisions of the Articles of Association as mentioned above.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant. The newly appointed Directors will be provided with a detailed induction to the Group's businesses by senior management.

Code provision C.1.4 of the Corporate Governance Code prescribes that Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses.

The Directors are required to submit to the Company details of the training they received in each financial year for the Company's maintenance of proper training records of the Directors.

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The training received by the Directors during the year ended 31 December 2023 is summarised below:

Name of Director	Participated in continuous professional development[1]
Mr. Chen Min	√
Mr. Hu Xiaodong	√
Mr. Yao Leiwen	√
Ms. Yan Huiping[2]	√
Mr. Feng Wei[2]	√
Mr. Wang Jingbo[2]	√

Note:

(1) Attended training/seminar/conference arranged by the Company and/or other external parties or read relevant materials

(2) Ms. Yan Huiping, Mr. Feng Wei and Mr. Wang Jingbo are appointed with effect from 26 September 2023.

Attendance Record of Board Meetings

Code provision C.5.1 of the Corporate Governance Code prescribes that at least four regular Board meetings should be held in each year at approximately quarterly intervals with active participation of majority of directors, either in person or through electronic means of communication.

The Company adopts the practice of holding Board meetings regularly, at least four times a year and at approximately quarterly intervals. Notices of not less than 14 days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for regular Board meetings. For other Board meetings and Board committees meetings, reasonable notice is generally given. The agenda and accompanying board papers are despatched to the Directors or Board committees members at least three days before such meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. When Directors or Board committees members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting. Minutes of meetings are kept by the company secretary of the Company with copies circulated to all Directors for information and records.

The matters considered by the Board and Board committees and the decisions reached are recorded in sufficient details in the minutes of the Board meetings and Board committees meetings. Such details include, but are not limited to, any concerns raised by the Directors. The draft minutes of each Board meeting and Board committees meeting are sent to the relevant Directors for comments within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors.

As the Company was merely listed on the Stock Exchange on 26 September 2023, no Board meeting was held during the period from the Listing Date to 31 December 2023. In the subsequent period from 1 January 2024 to the date of this annual report, one Board meeting was held. The Company did not convene any general meeting for the period from the Listing Date to the date of this annual report.

The attendance of each Director at the Board meetings and general meetings of the Company during the period from the Listing Date to the date of this annual report are set out below:

	Attendance/Number of meetings	
Name of Director	**Board meeting**	**General meeting**
Mr. Chen Min	1/1	–
Mr. Hu Xiaodong	1/1	–
Mr. Yao Leiwen	1/1	–
Ms. Yan Huiping	1/1	–
Mr. Feng Wei	1/1	–
Mr. Wang Jingbo	1/1	–

Code provision C.2.7 of the Corporate Governance Code prescribes that the chairman at least annually holds meetings with the independent non-executive directors without the presence of other Directors. As the Company was merely listed on the Stock Exchange on 26 September 2023, no meeting was held among Mr. Chen Min, the chairman of the Board, and the independent non-executive Directors without the presence of other Directors during the period from the Listing Date to 31 December 2023.

BOARD COMMITTEES

The Board has established four Board committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee, for overseeing particular aspects of the Company's affairs. All Board committees are established with specific terms of reference which deal clearly with their authority and duties, and are posted on the Company's website and the Stock Exchange's website.

Audit Committee

The Company has established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee, among others, are to assist and advise the Board to review and supervise the financial reporting process, the risk management and internal controls systems of the Group and maintain an appropriate relationship with Auditor.

The Audit Committee consists of three independent non-executive Directors, namely, Ms. Yan Huiping, Mr. Feng Wei and Mr. Wang Jingbo. The chairperson of the Audit Committee is Ms. Yan Huiping. All members at Audit Committee hold the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

As the Company was merely listed on the Stock Exchange on 26 September 2023, no Audit Committee meeting was held during the period from the Listing Date to 31 December 2023. In the subsequent period from 1 January 2024 to the date of this annual report, one Audit Committee meeting was held. The Audit Committee has performed the following major tasks:

(i) reviewed the audited annual results and annual report of the Group for the year ended 31 December 2023;

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(ii) reviewed the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, financial reporting and internal audit function;

(iii) reviewed the continuing connected transactions of the Group;

(iv) reviewed the risk management and internal control systems of the Group;

(v) reviewed the Auditor's independence and terms of engagement for the year ended 31 December 2023, and made recommendations on the re-appointment of the Auditor;

(vi) approved the Auditor's remuneration for the year ended 31 December 2023; and

(vii) reviewed and approved the non-audit services conducted by the Auditor.

The Auditor was invited to attend the Audit Committee meeting to discuss with the Audit Committee on issues arising from the audit and financial reporting matters. The Audit Committee also met with the Auditor without the presence of management. The Audit Committee was satisfied with the independence and engagement of the Auditor. As such, the Audit Committee has recommended the re-appointment of the Auditor.

The attendance of each member at the Audit Committee meeting during the period from the Listing Date to the date of this annual report is set out in the table below:

Name of member	**Attendance/Number of meetings**
Ms. Yan Huiping	1/1
Mr. Feng Wei	1/1
Mr. Wang Jingbo	1/1

Remuneration Committee

The Company has established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration Committee, among others, are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management, to establish a formal and transparent procedure for developing policy to review the terms of incentive schemes and Directors' service contracts, and to recommend the remuneration packages for all Directors and senior management.

The Remuneration Committee consists of one executive Director and two independent non-executive Directors, namely, Mr. Chen Min, Ms. Yan Huiping and Mr. Wang Jingbo. The chairperson of the Remuneration Committee is Ms. Yan Huiping.

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During the period from the Listing Date to 31 December 2023, no Remuneration Committee meeting was held. In the subsequent period from 1 January 2024 to the date of this annual report, one Remuneration Committee meeting was held. The Remuneration Committee has performed the following major tasks:

(i) reviewed the remuneration policy and the remuneration packages of the Directors and senior management of the Company; and

(ii) reviewed and approved the granting of options and restricted share units under the Post-IPO Share Scheme.

Pursuant to code provision E.1.5 of the Corporate Governance Code, the annual remuneration (including share-based compensation) of the members of senior management, including those members of senior management who are also the executive Directors, by band for the year ended 31 December 2023 is set out below:

Remuneration bands	**Number of person**
RMB0 to RMB10,000,000	2
RMB10,000,001 to RMB20,000,000	–
>RMB20,000,000	2
Total	4

Further details of the remuneration of Directors for the year ended 31 December 2023 are set out in note 10 to the Financial Statement in this annual report.

The attendance of each member at the Remuneration Committee meeting during the period from the Listing Date to the date of this annual report is set out in the table below:

Name of member	**Attendance/Number of meetings**
Ms. Yan Huiping	1/1
Mr. Wang Jingbo	1/1
Mr. Chen Min	1/1

Nomination Committee

The Company has established the Nomination Committee with written terms of reference in compliance with Rule 8A.27 of the Listing Rules and the Corporate Governance Code. The primary duties of the Nomination Committee, among others, are to review the Board composition, to make recommendations to the Board regarding the rotation and appointment of Directors and Board succession, and to assess the independence of independent non-executive Directors.

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The Nomination Committee consists of one executive Director and two independent non-executive Directors, namely, Mr. Hu Xiaodong, Mr. Wang Jingbo and Mr. Feng Wei. The chairperson of the Nomination Committee is Mr. Wang Jingbo.

As the Company was merely listed on the Stock Exchange on 26 September 2023, no Nomination Committee meeting was held during the period from the Listing Date to 31 December 2023. In the subsequent period from 1 January 2024 to the date of this annual report, one Nomination Committee meeting was held. The Nomination Committee has performed the following major tasks:

(i) reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Group;

(ii) recommended the re-election of the retiring Directors at the forthcoming annual general meeting;

(iii) assessed the independence of all the independent non-executive Directors;

(iv) reviewed the Board diversity policy; and

(v) reviewed the Directors nomination policy.

The attendance of each member at the Nomination Committee meeting during the period from the Listing Date to the date of this annual report is set out in the table below:

Name of member	**Attendance/Number of meetings**
Mr. Wang Jingbo	1/1
Mr. Feng Wei	1/1
Mr. Hu Xiaodong	1/1

Director Nomination Policy

The Company has adopted a Director nomination policy which sets out the selection criteria and nomination process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The nomination process set out in the Director nomination policy:

(i) The company secretary shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members.

(ii) For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

(iii) In order to provide information of the candidates nominated by the Board to stand for election at a general meeting, and to invite nominations from Shareholders, a circular will be sent to Shareholders. The circular will set out the lodgment period for Shareholders to make the nominations. The names, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to Shareholders.

(iv) A Shareholder can serve a notice to the company secretary within the lodgement period of its intention to propose a resolution to elect a certain person as a Director, without the Board's recommendation or the Nomination Committee's nomination, other than those candidates set out in the Shareholder circular. The particulars of the candidates so proposed will be sent to all Shareholders for information by a supplementary circular.

Pursuant to the Director nomination policy, for assessing the suitability and the potential contribution to the Board of a proposed candidate, the Nomination Committee will consider, including but not limited to (i) reputation for integrity, (ii) accomplishment and experience in the automotive industry, (iii) commitment in respect of available time and relevant interest, and (iv) diversity in all its aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Nomination Committee is responsible for reviewing the Director nomination policy, as appropriate, to ensure its effectiveness.

Board Diversity Policy

The Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Pursuant to the Board diversity policy, in reviewing and assessing suitable candidates to serve as a Director, the nomination committee will consider a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional qualifications, skills, knowledge, and industry experience. The Nomination committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for formal adoption.

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The Company recognises the particular importance of gender diversity. The Board currently comprises six Directors, including one female Director. The Company will maintain the current gender ratio of the Board and aim to have at least 30% female members on the Board by 31 December 2025. The Company has taken and will continue to take steps to promote and enhance gender diversity at all levels of the Company, including but without limitation at the Board and senior management levels. The Board diversity policy provides that the Board shall take opportunities when selecting and making recommendations on suitable candidates for Board appointments with the aim to maintain the proportion of female members. The Company will also ensure that there is gender diversity when recruiting staff at mid to senior level, as well as engage more resources in training more female staff with the aim of providing a pipeline of female senior management and potential successors to the Board going forward. It is the objective to maintain an appropriate balance of gender diversity with reference to the Shareholders' expectation and international and local recommended best practices.

The Nomination Committee is responsible for reviewing the diversity of the Board. It will from time to time review the Board diversity policy, develop and review measurable objectives for implementing the policy, and monitor the progress on achieving these measurable objectives in order to ensure that the policy remains effective.

Diversity at Work Force

The Company strives to enhance gender diversity of staff and management to create a fair, diverse and inclusive workplace. As at 31 December 2023, the gender ratio of the Group's workforce (including the Company's senior management) was approximately 65.4% male to 34.6% female. The Board expects the diversity at workforce to reach a more balanced level by the end of 2025. To achieve the goal of improving fairness and create more opportunities for female employees, the Group has put in place recruitment and hiring, training and promotion measures such that a diver range of candidates are considered. The Group also provides physical and mental health, care and benefits, safe workplace environment and communication channels to empower the female employees. During the period from the Listing Date to 31 December 2023, the Board was not aware of any mitigating factors or circumstances which made achieving gender diversity across the Group's workforce (including senior management) more challenging or less relevant.

For details of the Group's diversity practices for employees, see "Environmental, Social and Governance Report" of this annual report.

Corporate Governance Committee

The Company has established the Corporate Governance Committee with written terms of reference in compliance with Rule 8A.30 of the Listing Rules and the Corporate Governance Code. The primary duties of the Corporate Governance Committee, among others, are to ensure that the Company is operated and managed for the benefit of all Shareholders and to ensure the Company's compliance with the Listing Rules and safeguards relating to the WVR structure of the Company.

The Corporate Governance Committee is comprised of three independent non-executive Directors namely Mr. Feng Wei, Ms. Yan Huiping and Mr. Wang Jingbo. The chairperson of the Corporate Governance Committee is Mr. Feng Wei.

As the Company was merely listed on the Stock Exchange on 26 September 2023, no Corporate Governance Committee meeting was held during the period from the Listing Date to 31 December 2023. In the subsequent period from 1 January 2024 to the date of this annual report, one Corporate Governance Committee meeting was held. The Corporate Governance Committee has performed the following major tasks:

(i) reviewed the Company's compliance with the Corporate Governance Code and the disclosure in the Corporate Governance Report;

(ii) reviewed the written confirmation provided by the WVR Beneficiary that they have been members of the Company's Board of Directors throughout the year and that no matters under Rule 8A.17 of the Listing Rules have occurred during the relevant financial year, and they have complied with Rules 8A.14, 8A.15, 8A.18 and 8A.24 of the Listing Rules throughout the year;

(iii) reviewed and monitored the management of conflicts of interests between the Company, its subsidiaries and/or the Shareholders on one hand and any WVR Beneficiary on the other;

(iv) reviewed and monitored all risks related to the WVR structure;

(v) made a recommendation to the Board as to the appointment or removal of the compliance adviser; and

(vi) reviewed the implementation and effectiveness of Shareholder communication policy.

In particular, the Corporate Governance Committee has confirmed to the Board that it is of the view that the Company has adopted sufficient corporate governance measures to manage the potential conflict of interest between the Group and the WVR Beneficiary in order to ensure that the operations and management of the Company are in the interests of the Shareholders as a whole. These measures include the Corporate Governance Committee ensuring that (i) any connected transactions are disclosed and dealt with in accordance with the requirements of the Listing Rules, (ii) any Directors who have a conflict of interest abstain from voting on the relevant board resolution, and (iii) the compliance adviser is consulted on any matters related to transactions involving the WVR Beneficiary or a potential conflict of interest between the Group and the WVR Beneficiary. The Corporate Governance Committee recommended the Board to continue the implementation of these measures and to periodically review their efficacy towards these objectives.

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Having reviewed the remuneration and terms of engagement of the compliance adviser, the Corporate Governance Committee confirmed to the Board that it was not aware of any factors that would require it to consider either the removal of the current compliance adviser or the appointment of a new compliance adviser. As a result, the Corporate Governance Committee recommended that the Board retain the services of the compliance adviser of the Company.

The attendance of each member at the Corporate Governance Committee meeting during the period from the Listing Date to the date of this annual report is set out in the table below:

Name of member	**Attendance/Number of meetings**
Mr. Feng Wei	1/1
Mr. Yan Huiping	1/1
Mr. Wang Jingbo	1/1

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the Financial Statements.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, inside information announcements and other financial disclosures required by the Listing Rules and other regulatory requirements.

The senior management of the Company has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company in order to put forward such information to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

AUDITOR AND AUDITOR'S REMUNERATION

The statement of the Auditor about their reporting responsibilities on the Company's Financial Statement is set out in "Independent Auditor's Report" of this annual report.

The remuneration for the audit and non-audit services provided by the Auditor to the Group for the year ended 31 December 2023 is analysed below. The remuneration for the audit services includes the service fees in connection with audit and reviews of the Group. The non-audit services conducted by the Auditor mainly include professional services on consultation services.

Type of services provided by the Auditor	**Amount** ***(RMB'000)***
Audit services	3,500
Non-audit services	200
Total	3,700

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and they can only provide reasonable, but not absolute, assurance against material misstatements or losses.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risk of failure to achieve the Company's strategic objectives, as well as establishing and maintaining effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management team to oversee the design, implementation and monitoring of the risk management and internal control systems.

The management considers it is important to establish and continue to improve its risk management and internal control systems, and has strengthened internal control, internal audit, compliance and forensic functions of the Company during the period from the Listing Date to 31 December 2023. The Company's risk management and internal control systems have been developed with the following principles, features and processes:

Organisation Principles

To ensure that the risk management and internal control systems are effective, the Company, under the supervision and guidance of the Board and factoring the actual needs of the Company, has adopted the "Three Lines of Defense" model as an official organisational structure for risk management and internal control.

The First Line of Defense – Management and Operation

The first line of defense is mainly implemented by the business departments of the Company which are responsible for the day-to-day operations, and they are responsible for designing and implementing control measures to address the risks.

The Second Line of Defense – Risk Management, Internal Control and Other Functions

The second line of defense is mainly implemented by, among others, the internal control team, finance department, legal department, quality inspection department, information security department, and other departments with similar functions. This line of defense is responsible for formulating policies related to management of operations, finance, compliance and litigation, information security and internal controls of the Company, and for planning and establishing an integrated risk control system. For ensuring effective implementation of such systems, this line of defense also assists and supervises the first line of defense in the establishment and improvement of risk management and internal control systems.

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The Third Line of Defense – Internal Audit and Forensic

The third line of defense is mainly implemented by the internal audit and forensic teams, which hold a high degree of independence. The internal audit team provides an evaluation on the effectiveness of the Company's risk management and internal control systems, and monitors management's continuous improvement over these areas. The forensic team is responsible for receiving whistle-blowing reports and investigating alleged fraudulent incidents.

Risk Management Process

The Company has established a risk management system (including the "Three Lines of Defense" internal monitoring model as detailed above) which sets out the roles and responsibilities of each relevant party as well as the relevant risk management policies and processes.

All business and functional departments of the Company are responsible for conducting internal control assessment regularly to identify risks that may potentially impact the business of the Group.

The internal audit department is responsible for performing independent review of the effectiveness and adequacy of the risk management and internal control systems. The internal audit department examined key issues in relation to the accounting practices and all material controls and provided its findings to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management, has reviewed the report from the management and findings from the internal audit, and reviewed the risk management and internal control systems, including the financial, operational and compliance controls. The annual review also covered areas on the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting, financial reporting and internal audit functions.

The Board considered the risk management and internal control systems of the Company during the period from the Listing Date to 31 December 2023 were effective and adequate.

Proper internal control procedures and guidelines are in place to guard against mishandling of inside information which may constitute insider dealing or breach of any other statutory obligations. Access to inside information is at all times confined to relevant personnel (i.e., Company's Directors, senior management and relevant employees) and on "as needed" basis until proper disclosure or dissemination of inside information in accordance with applicable laws and regulations. Company's Directors, senior management and relevant employees in possession of potential inside information and/or inside information are required to take reasonable measures to ensure that proper safeguards are in place to preserve strict confidentiality of inside information and to ensure that its recipients recognise their obligations to maintain the information confidential.

MECHANISM REGARDING INDEPENDENT VIEWS TO THE BOARD

The Board has implemented different ways to ensure independent views and input are available to the Board. The implementation and effectiveness of such mechanism was reviewed on an annual basis. The Board considers that such mechanism has been implemented properly and effectively.

The mechanism is set out below:

Composition

The Board ensures the appointment of at least three independent non-executive Directors and at least one third of its members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time), with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. Further, independent non-executive Directors will be appointed to the Board committees as required under the Listing Rules and as far as practicable to ensure independent views are available.

Independent Assessment in Nomination Process

The Company has nomination policy for election of Directors. Such policy, devising the criteria and procedures of selection and performance evaluation, provides guidance to the Board on nomination and appointment of Directors (including the independent non-executive Directors) of the Company. The Nomination Committee strictly adheres to the nomination policy with regard to the nomination and appointment of independent non-executive Directors, and is mandated to assess annually the independence of independent non-executive Directors to ensure they can continually exercise independent judgement. The Board believes that the defined selection process is good for corporate governance in serving the Board continuity and appropriate leadership at Board level, enhancing Board effectiveness and diversity, and ensuring independent views and input are available to the Board.

Compensation

No equity-based remuneration with performance-related elements has been granted to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

Board Decision Making

The Directors (including independent non-executive Directors), upon reasonable request, may seek independent professional advice at the Company's expense, to assist the performance of their duties. If a substantial Shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would be dealt with by a physical Board meeting rather than a written resolution. A Director who has a material interest in a contract, transaction or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable the Shareholders and investors to make the best investment decisions.

The general meetings of the Company provide an opportunity for communication between the Directors, senior management and the Shareholders. The chairman of the Board as well as chairpersons of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Corporate Governance Committee, in their absence, other members of the respective committees, are available to answer questions at general meetings. The chairman of the meeting will provide the detailed procedures for conducting a poll and answer any questions from the Shareholders on voting by poll. The annual general meeting shall be called by not less than 21 days' notice to Shareholders in writing and any extraordinary general meeting shall be called by not less than 14 days' notice to Shareholders in writing. Shareholders may require extraordinary general meeting with a requisition of one or more Shareholders holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per Share basis, of the issued Shares which as at that date carry the right to vote at general meetings of the Company. The procedures for Shareholders to convene and put forward proposals at an extraordinary general meeting are stated as follows:

(i) the Shareholders' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office, and may consist of several documents in like form each signed by one or more requisitionists; and

(ii) if there are no Directors as at the date of the deposit of the Shareholders' requisition or if the Directors do not within 21 days from the date of the deposit of the Shareholders' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all of the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period.

The Company has adopted the Shareholders' communication policy, which sets out the framework the Company has put in place to promote effective communication with Shareholders so as to enable them to engage actively with the Company and exercise their rights as Shareholders in an informed manner. To promote effective communication, the Company has established several channels to communicate with the Shareholders as follows, among others:

(i) both English and Chinese versions of corporate communications (as defined in the Listing Rules) such as annual reports, interim reports and circulars are available in printed form (if requested) and are available electronic form on the Stock Exchange's website (www.hkexnews.hk) and the Company's website at (www.tuhu.cn), where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access;

(ii) corporate information is made available on the Company's website; and

(iii) the Hong Kong share registrar of the Company serves the Shareholders in respect of share registration, dividend payment and related matter.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available and the Company has an investor relationship function (Email: ir@tuhu.cn) to attend to enquiries from the Shareholders.

Having considered the multiple channels of communication, the Board is satisfied that the Shareholders' communication policy provided effective channels by which Shareholders can communicate and raise concern with the Company and is effective during the period from the Listing Date to 31 December 2023.

To preserve environment and increase efficiency in communication with the Shareholders, the Company made arrangement pursuant to Rule 2.07A of the Listing Rules and the Articles of Association for the Shareholders to elect to receive corporate communication in printed form or by electronic means through the Company's website. Shareholders have the right to change their choice of receipt of its corporate communications (as defined in the Listing Rules) at any time by giving reasonable notice to the Company. The change request form may be downloaded from the websites of the Company and the Stock Exchange. The Company will send the actionable corporate communication (as defined in the Listing Rules) to the Shareholders individually in electronic form by email or in printed form (if requested or if the Company does not possess the functional email address of the Shareholders).

SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, separate resolutions are proposed at general meetings on each substantial issue, including the election of individual Directors, for the Shareholders' consideration and voting. All resolutions put forward at the Shareholders' meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company (www.tuhu.cn) and the Stock Exchange (www.hkexnews.hk) after each Shareholders' meeting.

In accordance with Article 20.7 of the Articles of Association, a resolution put to the vote of the meeting shall be decided on poll, save that the chairperson may, in good faith, allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

For the avoidance of doubt, the Shareholders must deposit and send the original duly signed written requisition, notice or statement (as the case may be) to the Company's principal place of business in Hong Kong and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

There is no provision allowing the Shareholders to move new resolutions at general meetings under the Cayman Companies Law. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

With respect to the Shareholders' right in proposing persons for election as Directors, see the procedures available on the website of the Company (www.tuhu.cn).

CONSTITUTIONAL DOCUMENTS

During the period from the Listing Date to the date of this annual report, the Company has not made any changes to its Articles of Association.

The Articles of Association of the Company is available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.tuhu.cn).

DIVIDEND POLICY AND FINAL DIVIDENDS

The Company is a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividends will also depend on the availability of dividends received from the subsidiaries. PRC laws require that dividends be paid only out of the profit for the year determined according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRSs. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves until the aggregate amount of such fund reaches 50% of its registered capital, which are not available for distribution as cash dividends. Dividend distribution to the Shareholders is recognised as a liability in the period in which the dividends are approved by the Shareholders or Directors, where appropriate.

Any future determination to pay dividends will be made at the discretion of the Directors and may be based on a number of factors, including the future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Directors may deem relevant. As advised by the Cayman Islands legal counsel, under Cayman Islands law, a Cayman Islands exempted company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be declared or paid if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. Investors should not purchase the Shares with the expectation of receiving cash dividends.

The Company did not declare or pay any dividends on the shares during the year ended 31 December 2023 and it does not anticipate paying any cash dividends in the foreseeable future.

JOINT COMPANY SECRETARIES

Mr. Chen Zhe, the joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed.

Mr. Lee Chung Shing, an external service provider, has been engaged by the Company as the other joint company secretary to assist Mr. Chen Zhe to discharge his duties as the joint company secretary of the Company. The primary contact person at the Company is Mr. Chen Zhe.

During the year ended 31 December 2023, Mr. Chen Zhe and Mr. Lee Chung Shing have each taken not less than 15 hours of relevant professional training to update their skills and knowledge.

Directors' Report

The Board is pleased to present this Directors' report in the Group's annual report for the year ended 31 December 2023.

GLOBAL OFFERING AND USE OF PROCEEDS

Global Offering

The Company was incorporated in the Cayman Islands on 8 July 2019 as an exempted company with limited liability. The Company's Class A Shares were listed on the Main Board of the Stock Exchange on 26 September 2023, that is, the Listing Date.

Use of Proceeds

The net proceeds (the "Net Proceeds") received by the Company from the Global Offering (including partial exercise of the over-allotment option), after deduction of the underwriting commission and other expenses payable by the Company in connection with the Global Offering, were approximately HK$1,273.3 million.

As of the date of this annual report, there was no change in the intended use of Net Proceeds as previously disclosed in the Prospectus. See "Future Plans and Use of Proceeds" in the Prospectus for details.

As of 31 December 2023, the Group has utilised the Net Proceeds as set out in the table below:

Description	**% to the Net Proceeds**	**Allocation of Net Proceeds** *(HK$ in millions)*	**Utilised amount as of 31 December 2023** *(HK$ in millions)*	**Unutilised amount as of 31 December 2023** *(HK$ in millions)*	**Expected timeline for utilising for the unutilised Net Proceeds**
Enhancement of the supply chain capability	35.0%	445.6	128.2	317.4	31 December 2025
Research and development to advance the data analytics technologies and further enhance the operating efficiency	20.0%	254.7	27.0	227.7	31 December 2025
Expanding the store network and franchisee base	15.0%	191.0	80.7	110.3	31 December 2025
Funding investment related to automotive services for NEV owners as well as investment in tools and equipment related to these services	20.0%	254.7	34.9	219.8	31 December 2025
Working capital and general corporate purposes	10.0%	127.3	18.4	108.9	31 December 2025
Total	100.0%	1,273.3	289.2	984.1	

The unutilised net proceeds are placed in licensed banks in PRC and Hong Kong as of the date of this annual report.

Directors' Report

BUSINESS AND COMPANY-RELATED INFORMATION

Principal Activities

The Company is one of the leading integrated online and offline platforms for automotive service in China. Online, the Company streamlines diverse car service needs into one centralised platform through its flagship "TUHU Automotive Service" APP and online interfaces, delivering the digital and on-demand service experience to customers. Offline, the Company has three different types of stores, including self-operated Tuhu workshops, franchised Tuhu workshops, and third-party partner stores. The Company serves most of the passenger vehicle models sold in China, fulfilling automotive service demands ranging from tires and chassis parts replacement to auto maintenance, repair, detailing, and more.

The activities of the principal subsidiaries are set out in note 1 to the Financial Statement in this annual report.

Results of Operations

The results of the Group for the year ended 31 December 2023 are set out in "Consolidated Statement of Profit or Loss" and "Consolidated Statement of Comprehensive Income" of this annual report.

Final Dividend

Details of final dividends of the Company for the year ended 31 December 2023 are set out in "Corporate Governance Report – Dividend Policy and Final Dividends" in this annual report.

Business Review

Details of business review and performance analysis of the Group for the year ended 31 December 2023 are set out in "Chairman's Statement," "Management Discussion and Analysis," "Corporate Governance Report" and "Environmental, Social and Governance Report" of this annual report.

Future Development

Details of future development of the Group are set out in "Management Discussion and Analysis" of this annual report.

Environmental Policies and Performance

During the year ended 31 December 2023, the Group had not been subject to any material fines or other penalties due to non-compliance with environmental regulations. Details of the environmental policies and performance of the Group are set out in "Environmental, Social and Governance Report" of this annual report.

Directors' Report

Key Relationships with Stakeholders

Relationship with Employees

The Company embraces employees as the most valuable assets of the Group. The objective of the Group's human resources management is to reward and recognise outstanding employees by providing competitive remuneration packages and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group by providing adequate training and opportunities.

Relationship with Shareholders

The Company recognises the importance of protecting the interests of the Shareholders and of having effective communication with them. Details of the communication practice with Shareholders are set out in "Corporate Governance Report – Communications with Shareholders and Investors" of this annual report.

Relationship with Customers and Suppliers

The Group's major customers primarily include individual car owners that represent a highly-fragmented customer base. The Group's top five customers accounted for less than 30% of the Group's total revenues for the year ended 31 December 2023.

The Group's major suppliers primarily include manufacturing brands and wholesalers of various auto parts and equipment. The Group's top five suppliers and largest supplier accounted for 35.4% and 12.6% of the Group's purchasers for the year ended 31 December 2023, respectively.

As of the Latest Practicable Date, to the best knowledge of the Company, none of the Directors or their close associates or Shareholders (as defined in the Listing Rules) held a 5% or more shareholding interest in the top five customers or suppliers.

Share Capital

Details of the issued Shares of the Group for the year ended 31 December 2023 are set out in note 35 to the Financial Statements in this annual report.

Reserves

Details of movements in the reserves of the Group for the year ended 31 December 2023 are set out in "Consolidated Statement of Changes in Equity" of this annual report.

Distributable Reserves

As at 31 December 2023, the Group has distributable reserves of RMB17.0 billion in total available for distribution.

Directors' Report

Charitable Donations

During the year ended 31 December 2023, the Group made charitable donations of RMB3.0 million.

Bank Loans and Other Borrowings

As at 31 December 2023, the Group recorded bank loans and other borrowings amounted to RMB8.5 million.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2023 are set out in note 15 to the Financial Statements in this annual report.

Sufficiency of Public Float

Based on information that is publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued Shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public since the Listing Date and up to the Latest Practicable Date.

Issue of Debentures

The Group did not issue any debentures during the period during the year ended 31 December 2023.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a *pro rata* basis to the existing Shareholders.

Tax Relief

The Directors are not aware of any tax relief available to the Shareholders by reason of their holding of the Company's securities.

Compliance with Relevant Laws and Regulations

The Group may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of its business. During the year ended 31 December 2023, the Group had not been a party to, and was not aware of any threat of, any legal, arbitral or administrative proceedings, which would likely to have a material adverse effect on its business, financial conditions or results of operations.

Directors' Report

The Group is subject to applicable laws and regulations in the PRC in respect of its business operations. During the year ended 31 December 2023, as far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects.

Principal Risk and Uncertainties

The Directors are aware that the Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The key risks and uncertainties identified by the Group are set out as follows:

(i) The Company's business and growth are affected by changes in customer demand and spending for automotive service in China;

(ii) The Company primarily provides the automotive services to customers through Tuhu workshops and partner stores, and it may not be able to attract or retain franchisees or partner store operators;

(iii) The Company's business may be affected by advances in automotive technology, such as new energy vehicles, autonomous driving and shared mobility; and

(iv) Any harm to the brand or reputation may materially and adversely affect the Company's business, market share and results of operations;

For details of the nature and extent of the principal risks faced by the Group, see "Risk Factors" of the Prospectus.

Contracts with the Controlling Shareholders

Save as disclosed in this annual report, no contract of significance was entered into between the Company, or one of its subsidiary companies, and any of its Controlling Shareholders or subsidiaries during the year ended 31 December 2023.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2023.

Directors' Report

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2023.

On 14 March 2024, the Board resolved to repurchase Class A Shares in the open market from time to time up to HK$1.0 billion in value, pursuant to the general mandate (the "Share Repurchase Mandate") granted to the Directors, approved by the Shareholders at the general meeting held on 7 September 2023. Details of the Share Repurchase Mandate are set out in the Prospectus. The Board believes that the share repurchase will demonstrate the Company's confidence in its own business outlook and prospects and would, ultimately, benefit the Company and create value for its Shareholders. As of the Latest Practicable Date, the Company has repurchased 9,954,800 Class A Shares under the Share Repurchase Mandate.

Corporate Governance Practice

The Company has adopted and applied the principles as set out in the Corporate Governance Code in Appendix C1 to the Listing Rules. For details of practice, see "Corporate Governance Report – Corporate Governance Practices" of this annual Report.

Model Code for Securities Transactions

The Company has adopted the Model Code. For details of practice, see "Corporate Governance Report – Model Code for Securities Transactions" of this annual Report.

Auditor

Ernst & Young was appointed as the Auditor for the year ended 31 December 2023 and there had been no change in auditor of the Company in the past three years. The accompanying Financial Statements prepared in accordance with IFRS have been audited by Ernst & Young.

Ernst & Young will retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditor of the Company will be proposed at the AGM.

Audit Committee

The Audit Committee (comprising three independent non-executive Directors, namely Ms. Yan Huiping (chairperson), Mr. Feng Wei and Mr. Wang Jingbo), after the discussion with the Auditor, has reviewed the Group's Financial Statement and the unaudited financial statements for the six-month periods ended 31 December 2022 and 31 December 2023 (collectively, the "Unaudited Financial Statements"). The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed matters in respect of risk management and internal control of the Company. There is no disagreement between the Board and the Audit Committee regarding the accounting treatment adopted by the Company.

The Financial Statement have been prepared in accordance with IFRS. The accounting policies used in the preparation of the Unaudited Financial Statements are consistent with those adopted in preparing the audited consolidated financial statements for the years ended 31 December 2022 and 31 December 2023. The Unaudited Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the audited consolidated financial statements for the years ended 31 December 2022 and 31 December 2023, which have been prepared in accordance with the IFRS.

Closure of Register of Members and Record Date

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 4 June 2024 to Friday, 7 June 2024 (both days inclusive), during which period no transfer of Shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 3 June 2024.

DIRECTORS AND SENIOR MANAGEMENT

Details of Board composition are set out in "Corporate Information" in this annual report.

Biographical details of the Directors of the Group are set out in "Profiles of Directors and Senior Management" of this annual report. Save as disclosed in this annual report, since the Listing Date up to the Latest Practicable Date, there has been no change to the information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Directors' Service Contracts and Appointment Letters

Each of executive Directors entered into a service contract with the Company on 5 September 2023. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of the Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice. The executive Directors are not entitled to receive any remuneration in their capacities as executive Directors under their respective service contracts.

The non-executive Director entered into an appointment letter with the Company on 5 September 2023. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of the Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than one month's written notice. The non-executive Director is not entitled to receive any remuneration and benefits in his capacity as non-executive Director under his appointment letter.

Directors' Report

Each of independent non-executive Directors entered into a service contract with the Company either on 5 September 2023 or 6 September 2023. The term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of the Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice. The annual Director's fees of the independent non-executive Directors payable by the Company under their respective service agreements is RMB300,000.

None of the Directors have an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Confirmation of Independence from the Independent Non-Executive Directors

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent from the date of their appointments to 31 December 2023 and remain so as of the date of this annual report.

Re-election of Directors

In accordance with article 27.4 of the Articles of Association, Mr. Feng Wei and Mr. Wang Jingbo shall retire by rotation at the AGM and, being eligible for re-election at the AGM. Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders to be despatched (if requested) in due course.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2023, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	Nature of interest	Class of Shares	Number of Shares	% of interest in each class of Shares of the Company(1)
Mr. Chen Min	Beneficial owner	Class A Shares	850,000 (L)(2)	0.1% (L)
	Interest in controlled corporations	Class A Shares	12,487,564 (L)(3)	1.7% (L)
	Interest in controlled corporations	Class B Shares	68,949,580 (L)(3)	100.0% (L)
Mr. Hu Xiaodong	Beneficial owner	Class A Shares	300,000 (L)(4)	0.0%(*) (L)
	Interest in controlled corporations	Class A Shares	25,223,685 (L)(5)	3.4% (L)

Directors' Report

Remark: (L) denotes a long position; (*) denotes less than 0.01%.

Notes:

(1) As at 31 December 2023, the Company had 749,942,859 Class A Shares and 68,949,580 Class B Shares.

(2) Represents 850,000 Class A Shares pursuant to the exercise of options granted to Mr. Chen Min under the 2019 Share Incentive Plan.

(3) Represents (i) 12,487,564 Class A Shares issued to Mr. Chen Min, which were held by Nholresi Investment Limited, of which 12,275,149 as restricted shares under the 2019 Share Incentive Plan, and (ii) 68,949,580 Class B Shares held by Nholresi Investment Limited. Nholresi Investment Limited is wholly owned by Ilnewgnay Investment Limited. The entire interest in Ilnewgnay Investment Limited is held in a trust that was established by Mr. Chen Min (as the settlor) with him as the beneficiary. As such, Mr. Chen Min is deemed to be interested in the Class A Shares and Class B Shares held by Nholresi Investment Limited under the SFO.

(4) Represents 300,000 Class A Shares pursuant to the exercise of options granted to Mr. Hu Xiaodong under the 2019 Share Incentive Plan.

(5) Represents 25,223,685 Class A Shares held by TroisUnis. HU Investment Limited. TroisUnis. HU Investment Limited is wholly owned by ToUs. HU Investment Limited. The entire interest in ToUs. HU Investment Limited is held in a trust that was established by Mr. Hu Xiaodong (as the settlor) with him as the beneficiary. As such, Mr. Hu Xiaodong is deemed to be interested in the Class A Shares held by TroisUnis. HU Investment Limited under the SFO.

Save as disclosed above, as at 31 December 2023, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which will be required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Directors' Report

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2023, the followings are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the Shares and underlying Shares which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of Shareholder	Nature of Interest	Class of Shares	Total number of Shares	% of interest in each class of Shares in the Company[1]
Tencent[2]	Interest in controlled corporation	Class A Shares	158,895,235 (L)	21.2%
Image Frame Investment (HK) Limited	Beneficial interest	Class A Shares	151,792,350 (L)	20.2%
Joy Capital GP, Ltd[3]	Beneficial interest	Class A Shares	44,007,640 (L)	5.9%
Ubiquity Holdings Ltd.[4]	Beneficial interest	Class A Shares	42,707,045 (L)	5.7%
Max Hope Limited[5]	Beneficial interest	Class A Shares	39,167,585 (L)	5.3%
	Interest in controlled corporation	Class A Shares	453,132 (L)	

Remark: (L) denotes a long position.

Notes:

(1) As at 31 December 2023, the Company had 749,942,859 Class A Shares and 68,949,580 Class B Shares.

(2) Represents (i) 151,792,350 Class A Shares directly held by Image Frame Investment (HK) Limited, a limited liability company incorporated in Hong Kong, and (ii) 7,102,885 Class A Shares directly held by Cool Dragon Holding Limited, an exempted company with limited liability incorporated under the laws of Cayman Islands. Image Frame Investment (HK) Limited and Cool Dragon Holding Limited are controlled by Tencent Holdings Limited ("Tencent"). Tencent is a limited liability company incorporated in the Cayman Islands and is listed on the Main Board of the Stock Exchange (stock code: 0700). Accordingly, Tencent is deemed to be interested in the total number of Class A Shares held by Image Frame Investment (HK) Limited and Cool Dragon Holding Limited under the SFO.

(3) Represents (i) 15,335,735 Class A Shares directly held by Joy Capital Opportunity, L. P., a limited partnership incorporated under the laws of the Cayman Islands, (ii) 24,505,905 Class A Shares directly held by JOY FLY INVESTMENT MANAGEMENT LIMITED, a limited liability company incorporated in Hong Kong, and (iii) 4,166,000 Class A Shares directly held by BOLD HIGHLIGHT HK LIMITED, a limited liability company incorporated in Hong Kong. Joy Capital Opportunity, L. P., JOY FLY INVESTMENT MANAGEMENT LIMITED and BOLD HIGHLIGHT HK LIMITED are ultimately controlled by the directors of Joy Capital GP, Ltd, the ultimate general partner of such entities.

(4) Represents 42,707,045 Class A Shares directly held by Ubiquity Holdings Ltd., an exempted company incorporated under the laws of the Cayman Islands. Ubiquity Holdings Ltd. is 76.84% owned by FountainVest China Capital Partners Fund III, L. P., 22.72% owned by FountainVest China Capital Parallel Fund III, L. P. and 0.44% owned by FountainVest China Capital Parallel-A Fund III, L. P. FountainVest China Capital Partners Fund III, L. P., FountainVest China Capital Parallel Fund III, L. P. and FountainVest China Capital Parallel-A Fund III, L. P. are Cayman Islands limited partnerships. FountainVest China Capital Partners GP3 Ltd., a Cayman Islands company, is the sole general partner of FountainVest China Capital Partners Fund III, L. P., FountainVest China Capital Parallel Fund III, L. P. and FountainVest China Capital Parallel-A Fund III, L. P. FountainVest China Capital Partners GP3 Ltd. is controlled by its directors, Kui Tang and George Jian Chuang, each an Independent Third Party.

(5) Represents (i) 39,167,585 Class A Shares directly held by Max Hope Limited. Max Hope Limited, which was incorporated in the Cayman Islands and wholly owned by Beijing Sequoia Jingtu Management Consulting Centre (L. P.), or Jingtu, and ultimately controlled by Jintu's general partner, Ningbo Meishan Bonded Port Area Sequoia Huanjia Equity Investment Management Co., Ltd. (寧波梅山保税港區紅杉桓嘉投資管理有限公司, "Sequoia Huanjia"); and (ii) 453,132 Class A Shares Max Platinum Limited, which was incorporated in the Cayman Islands and wholly owned by Max Hope Limited. Mr. Kui Zhou held 70% interests in Sequoia Huanjia. As such, Mr. Kui Zhou is deemed to be interested in the Class A Shares held by Max Hope Limited under the SFO.

Save as disclosed above, to the best knowledge of the Directors and the chief executive of the Company, as at 31 December 2023, the Company is not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in "– Equity Incentive Schemes" of this annual report, at no time during the year ended 31 December 2023 was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of the shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Directors' Report

Directors' and Controlling Shareholders' Interests in Competing Business

Except for the interests of the Controlling Shareholders in the Group, during the period from the Listing Date to 31 December 2023, neither the Controlling Shareholders nor any of the Directors had any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

Directors' Material Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in "– Continuing Connected Transactions" of this Directors' report, there were no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or its connected entity (within the meaning of Section 486 of the Companies Ordinance) had a material interest, whether directly or indirectly, and subsisting during the year ended 31 December 2023 or as of 31 December 2023.

Directors' Remuneration

The remuneration of the Directors is paid in the form of fees, salaries, allowances and benefits in kinds, share-based payment and pension scheme contributions. The Company has established the Remuneration Committee to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management.

The Directors and the senior management members are eligible participants of the Equity Incentive Schemes.

During the year ended 31 December 2023, none of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for the loss of office.

Details of the emoluments of the Directors, and five highest paid individuals for the year ended 31 December 2023 are set out in notes 10 and 11 to the Financial Statements in this annual report.

Retirement and Employee Benefits Scheme

Details of the retirement and employee benefits scheme of the Company are set out in note 9 to the Financial Statements in this annual report.

Directors and Officers Liability Insurance

The Company has arranged appropriate directors' and officers' liability insurance in respect of legal action against the Directors and senior management.

Directors' Permitted Indemnity Provision

Pursuant to Article 49.1 of the Articles of Association and subject to Cayman Companies Law, every Director and officer of the Company (which for the avoidance of doubt, shall not include auditors of the Company), together with every former Director and former officer of the Company (each an "Indemnified Person") shall be indemnified out of the assets of the Company against any liability, action, proceeding, claim, demand, costs, damages or expenses, including legal expenses, whatsoever which they or any of them may incur as a result of any act or failure to act in carrying out their functions other than such liability (if any) that they may incur by reason of their own actual fraud or wilful default. No Indemnified Person shall be liable to the Company for any loss or damage incurred by the Company as a result (whether direct or indirect) of the carrying out of their functions unless that liability arises through the actual fraud or wilful default of such Indemnified Person. No person shall be found to have committed actual fraud or wilful default under the Articles of Association unless or until a court of competent jurisdiction shall have made a finding to that effect.

CONTINUING CONNECTED TRANSACTIONS

Upon Listing, transactions between members of the Group and the Company's connected persons have become connected transactions under Chapter 14A of the Listing Rules.

Among the related party transactions disclosed in note 41 to the Financial Statements, the transactions are entered into with Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司) ("Tencent Computer") constituted the partially-exempt continuing connected transaction of the Group for the year ended 31 December 2023. Tencent Computer is a subsidiary of Tencent, which is a substantial Shareholder of the Company, and therefore Tencent Computer is a connected person of the Company under Rule 14A.07(4) of the Listing Rules. The Company confirmed that the other related party transactions as disclosed in note 41 to the Financial Statements do not fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules.

Tencent Group Framework Agreement

On 7 September 2023, the Company entered into a business cooperation and service framework agreement with Tencent Computer (the "Tencent Group Framework Agreement"), pursuant to which Tencent Computer and its affiliates (the "Tencent Group") would provide to the Group (i) cloud services; (ii) advertising services; and (iii) payment services.

The terms of the Tencent Group Framework Agreement were entered into on normal commercial terms after arm's length negotiations and the transactions under the Tencent Group Framework Agreement will commence on the Listing Date and continue until 31 December 2025 (both dates inclusive).

Cloud services

Pursuant to Tencent Group Framework Agreement, Tencent Group will provide certain technology services, including but not limited to provision of cloud services and other cloud-related technical services to the Group (the "Tencent Cloud Services"), allowing a higher degree of flexibility in managing the IT infrastructure of the Group. The service fees will be determined after arm's length negotiation between the parties based on the fee rates disclosed on the relevant websites of the Tencent Group.

The annual cap of the Tencent Cloud Services for the year ended 31 December 2023 is approximately RMB25.0 million, while the actual transaction amount for the year ended 31 December 2023 were approximately RMB23.4 million.

Directors' Report

Advertising services

Pursuant to Tencent Group Framework Agreement, Tencent Group will provide the Group with advertising solutions utilising its communication channels, social media channels and online advertising platforms ("Tencent Advertising Services"), on which the Group will send promotional messages to potential users in relation to the mobile application and website. The service fee will be charged on the basis of (i) the price of each click and the aggregate number of clicks of online users; (ii) the number of impressions generated by the Tencent Advertising Services to online users; and (iii) the number of advertisement served or delivered through the Tencent Advertising Services.

The annual cap of the Tencent Advertising Services for the year ended 31 December 2023 is approximately RMB85.0 million, while the actual transaction amount for the year ended 31 December 2023 were approximately RMB54.3 million.

Payment services

Pursuant to Tencent Group Framework Agreement, Tencent Group will provide the Group with payment services through its payment channel ("Tencent Payment Services") in order to enable the Company's users to conduct online transactions on the Company's platform through Tencent Group payment channels. The service fee will be determined after arm's length negotiation between the parties with reference to the market rates. The charge rates and calculation method shall be agreed between the parties separately.

The annual cap of the Tencent Payment Services for the year ended 31 December 2023 is approximately RMB65.0 million, while the actual transaction amount for the year ended 31 December 2023 were approximately RMB50.9 million.

Annual Review by the Independent Non-executive Directors and the Auditor

The independent non-executive Directors have confirmed that the above continuing connected transactions were entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements (including the pricing principle and guidelines set out therein) governing them and on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Auditor has reviewed the continuing connected transactions referred to above and confirmed to the Board that such continuing connected transactions: (i) have received the approval of the Board; (ii) were entered into in accordance with the relevant agreements governing the transactions; and (iii) have not exceeded the caps.

Save as disclosed in this annual report, during the period from the Listing Date to 31 December 2023, the Company had no connected transactions or continuing connected transactions which are required to be disclosed under the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the period from the Listing Date to 31 December 2023.

EQUITY INCENTIVE SCHEMES AND EQUITY-LINKED ACTIVITIES

As of the Latest Practicable Date, the Company has adopted two share schemes, namely the 2019 Share Incentive Plan and the Post-IPO Share Scheme.

2019 Share Incentive Plan

The 2019 Share Incentive Plan has been adopted by the Company on 31 October 2019. The principal terms of the Pre-IPO Share Option Scheme are set out in "Appendix IV – Statutory and General Information" of the Prospectus.

A summary of the principal terms of the 2019 Share Incentive Plan is set out below:

Purpose

The purpose of the 2019 Share Incentive Plan is to promote the success and enhance the value of the Company by linking the personal interests of the Directors, employees, and consultants to those of Shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Shareholders.

Eligible Participants

Any person, including an employee, a director or a consultant ("Service Provider") employed by the Company or trusts or companies established in connection with any employee benefit plan of the Company for the benefits of the Service Providers.

Maximum Number of Class A Shares Available for Issue

The overall limit on the number of underlying Class A Shares pursuant to the 2019 Share Incentive Plan is 93,737,185 Class A Shares. The number of underlying Class A Shares pursuant to the outstanding options granted under the 2019 Share Incentive Plan amounts to 39,279,432 Class A Shares, representing approximately 5.2% of the total issued Class A Shares of the Company as of the date of this annual report, being 752,873,602 Class A Shares.

Maximum Entitlement of Each Participant

The 2019 Share Incentive Plan contains no provisions on the maximum entitlement of each participant.

Option Period

Subject to the sole discretion of the administrator, the options period under the 2019 Share Incentive Plan shall not exceed ten years from the date of grant.

Directors' Report

Vesting Period

The administrator of the 2019 Share Incentive Plan determines the vesting period, which is specified in the relevant award agreement.

Acceptance of Offers of Options or Restricted Shares

The grantees were not required to pay any consideration for the granting of the outstanding options or restricted shares under the 2019 Share Incentive Plan.

Basis of Determining the Exercise Price or Purchase Price

The exercise price of all the options granted under the 2019 Share Incentive Plan is US$0.00002 per Class A Share. The purchase price of all restricted shares under the 2019 Share Incentive Plan is US$0.00002 per Class A Share.

Remaining Life

The 2019 Share Incentive Plan shall continue in effect for a term of ten years from its date of effectiveness. The remaining life of the 2019 Share Incentive Plan is over five years.

Before Listing, the Company had conditionally granted options or restricted shares to 931 participants under the 2019 Share Incentive Plan. Upon Listing, there is no options or restricted share available for grant under the 2019 Share Incentive Plan.

The following table shows detail of restricted shares granted under the 2019 Share Incentive Plan during the year ended 31 December 2023:

					Number of Class A Shares underlying restricted shares						
Name and Category of grantee	Date of grant	Vesting period	Purchase price	Performance target	Outstanding as of 1 January 2023	Granted between 1 January 2023 to 31 December 2023	Vested between 1 January 2023 to 31 December 2023	Cancelled between 1 January 2023 to 31 December 2023	Lapsed between 1 January 2023 to 31 December 2023	Outstanding as of 31 December 2023	Weighted average closing price per Class A Share before the date of vest
Director											
Mr. Chen Min	26 September 2023	-	US$0.00002 per Class A Share	-	-	12,275,149	12,275,149	-	-	-	-

Directors' Report

The following table shows detail of outstanding options granted under the 2019 Share Incentive Plan during the year ended 31 December 2023:

Name and Category of grantee	Date of grant	Option Period	Vesting period	Exercise price	Performance target	Number of Class A Shares underlying options Outstanding as of 1 January 2023	Granted between 1 January 2023 to 31 December 2023	Exercised between 1 January 2023 to 31 December 2023	Cancelled between 1 January 2023 to 31 December 2023	Lapsed between 1 January 2023 to 31 December 2023	Outstanding as of 31 December 2023	Weighted average closing price per Class A Share before the date of exercise
Directors												
Mr. Chen Min	1 May 2021	10 years	4 years	US$0.00002 per Class A Share	-	850,000	-	-	-	-	850,000	N/A
Mr. Hu Xiaodong	1 May 2021	10 years	4 years	US$0.00002 per Class A Share	-	300,000	-	-	-	-	300,000	N/A
Other grantees												
929 employees and consultants	1 January 2017 – 1 September 2023		1 year – 5 years	US$0.00002 per Class A Share	-	44,556,034	2,132,783	-	-	5,064,118	41,624,699	N/A
Total						**45,706,034**	**2,132,783**	**-**	**-**	**5,064,118**	**42,774,699**	

Post-IPO Share Scheme

The Post-IPO Share Scheme has been adopted by the Company on 7 September 2023. The principal terms of the Post-IPO Share Scheme are set in "Appendix IV – Statutory and General Information" in the Prospectus.

A summary of the principal terms of the Post-IPO Share Scheme is set out below:

Purpose

The purpose of the Post-IPO Share Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company so as to align the interests of the selected participants with those of the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole.

Directors' Report

Eligible Participants

Participants of the Post-IPO Share Scheme include any individual, who is:

(i) an employee (whether full-time or part-time), director or officer of any member of the Group, including persons who are granted awards under the Post-IPO Share Scheme as an inducement to enter into employment contracts with any member of the Group;

(ii) an employee (whether full-time or part-time), director or officer of: (a) a holding company; (b) subsidiaries of the holding company other than members of the Group; or (c) any company which is an associate of the Company; or

(iii) who is a consultant or an adviser who in the opinion of the Directors has contributed or will contribute to the growth and development of the Group, a franchisee of the Group and a partner store operator of the Group (whether it is an individual or a corporate entity), or an advertising service provider, a software service provider, a warehousing and logistics services provider or a labour service provider who in the opinion of the administrator has contributed or will contribute to the growth and development of the Group ("Service Provider Participants")

Maximum Number of Class A Shares Available for Issue

The total number of Class A Shares which may be issued upon exercise of all awards to be granted under the Post-IPO Share Scheme and options to be granted under any other share schemes of the Company is 48,862,286 Class A Shares, representing approximately 6.5% of the total issued Class A Shares of the Company as of the date of this annual report, being 752,873,602 Class A Shares (the "Scheme Mandate Limit"). Options which have lapsed in accordance with the terms of the rules of the Post-IPO Share Scheme (or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The total number of Shares which may be issued pursuant to awards to be granted to Service Provider Participants under the Post-IPO Share Scheme is 8,143,714 Class A Shares, representing approximately 1.1% of the total issued Class A Shares of the Company as of the date of this annual report, being 752,873,602 Class A Shares (the "Service Provider Sublimit").

The Scheme Mandate Limit and the Service Provider Sublimit may be refreshed (i) from the later of three years after the adoption date of the Post-IPO Share Scheme or three years after the date of the previous Shareholder approval for refreshment of the Scheme Mandate Limit or Service Provider Sublimit (as the case may be) or (ii) by obtaining prior approval of the Shareholders in general meeting and subject to compliance with any additional requirements prescribed under the Listing Rules from time to time. However, the refreshed Scheme Mandate Limit cannot exceed 10% of the Class A Shares in issue as of the date of such approval. Awards previously granted under the Post-IPO Share Scheme and any other share option schemes of the Company (and to which provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, cancelled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Scheme Mandate Limit.

Maximum Entitlement of Each Participant

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any twelve-month period shall not exceed 1% of the total number of Class A Shares in issue.

Option Period

Subject to the sole discretion of the administrator, the options under the Post-IPO Share Scheme shall not be exercisable (to the extent not already exercised) on the expiry of the tenth anniversary from the date of grant.

Vesting Period

The vesting period in respect of any options or restricted share units shall be not less than 12 months from the date of grant. The administrator of the Post-IPO Share Scheme determines the vesting period, which is specified in the relevant award letter.

Acceptance of Offers of Options or Restricted Share Units

Unless otherwise specified in the award letter, a grantee shall have 20 business days from the date of grant to accept the offer of options or restricted share units. A grantee may accept an award by giving written notice of their acceptance to the administrator, together with remittance in favour of the Company of any consideration payable upon grant of the award.

Basis of Determining the Exercise Price or Purchase Price

The exercise price of all the options granted under the Post-IPO Share Scheme shall be determined by the administrator but shall in any event be no less than the higher of: (i) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant; and (ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant.

The purchase price for restricted share units granted under the Post-IPO Share Scheme shall be such price determined by the administrator in their absolute discretion and notified to the grantee in the award letter. For the avoidance of doubt, the administrator may determine the purchase price to be at nil.

Remaining Life

The Post-IPO Share Scheme shall be valid and effective for the period of ten years commencing on the Listing Date and ending on the 10th anniversary of the Listing Date. The remaining life of the Post-IPO Share Scheme is over nine years.

Directors' Report

On 1 December 2023, pursuant to Post-IPO Share Scheme, the Company granted 3,296,947 restricted share units to 330 employees of the Group and 5,659,361 options to 15 employees of the Group, respectively.

The following table shows detail of movements of the restricted share units granted under the Post-IPO Share Scheme during the year ended 31 December 2023:

						Number of Class A Shares underlying restricted share units							
Name and Category of grantee	Date of grant	Vesting period	Purchase price	Performance target	Outstanding as of 1 January 2023	Granted between 1 January 2023 to 31 December 2023	Vested between 1 January 2023 to 31 December 2023	Cancelled between 1 January 2023 to 31 December 2023	Lapsed between 1 January 2023 to 31 December 2023	Outstanding as of 31 December 2023	Closing price per Class A Share immediately before the date of grant	Fair value of each restricted share units at the date of grant[1]	Weighted average closing price per Class A Share before the date of vest
330 employees	1 December 2023	48 months	Nil	-	-	3,296,947	-	-	-	3,296,947	HK$33.0	HK$33.0	N/A

Note:

(1) Determined by reference to the market price of the Company's shares at the date of grant.

The following table shows detail of movements of options granted under the Post-IPO Share Scheme during the year ended 31 December 2023:

							Number of Class A Shares underlying options							
Name and Category of grantee	Date of grant	Option period	Vesting period	Exercise price	Performance target	Outstanding as of 1 January 2023	Granted between 1 January 2023 to 31 December 2023	Exercised between 1 January 2023 to 31 December 2023	Cancelled between 1 January 2023 to 31 December 2023	Lapsed between 1 January 2023 to 31 December 2023	Outstanding as of 31 December 2023	Closing price per Class A Share immediately before the date of grant	Fair value of each options at the date of grant[1]	Weighted average closing price per Class A Share before the date of exercise
15 employees	1 December 2023	10 years	48 months	HK$33.0	-	-	5,659,361	-	-	-	5,659,361	HK$33.0	HK$13.3	N/A

Notes:

(1) Determined by reference to the market price of the Company's shares at the date of grant.

As of 31 December 2023, the Class A Shares that may be issued in respect of all the options, restricted shares and restricted share units granted under the 2019 Share Incentive Plan and Post-IPO Share Scheme, being 64,006,156 Class A Shares, represented approximately 9.0% the weighted average number of Class A Shares of the Company for the year ended 31 December 2023.

Convertible Bonds

During the year ended 31 December 2023 and up to the date of this annual report, the Company has not issued any convertible bonds.

Equity-Linked Agreement

Save as otherwise disclosed herein, other than the 2019 Share Incentive Plan and the Post-IPO Share Scheme, no equity-linked agreements that will or may result in the Company issuing shares, or that require the Company to enter into any agreements that will or may result in the Company issuing shares, were entered into by the Company during the year ended 31 December 2023 or subsisted at the end of 2023.

CONTINUING DISCLOSURE OBLIGATION PURSUANT TO THE LISTING RULES

As of 31 December 2023, the Directors were not aware of any circumstances giving rise to the disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

SIGNIFICANT EVENTS AFTER THE YEAR ENDED 31 DECEMBER 2023

On 1 January 2024, a total of 914,599 restricted share units were granted to certain of the employees of the Group pursuant to the Post-IPO Share Scheme. Please refer to the announcement of the Company dated 1 January 2024 for details. On the same date, 198,330 options previously granted under the same scheme were cancelled. Up to the Latest Practicable Date, 342,494 restricted share units granted under the Post-IPO Share Scheme were cancelled/lapsed. As of the Latest Practicable Date, a total of 4,113,673 restricted share units and 5,461,031 options under the Post-IPO Share Scheme remained outstanding.

On 14 March 2024, the Board resolved to repurchase Class A Shares in the open market from time to time up to HK$1.0 billion in value, pursuant to the Share Repurchase Mandate granted to the Directors, approved by the Shareholders at the general meeting held on 7 September 2023. Details of the Share Repurchase Mandate are set out in the Prospectus. The Board believes that the share repurchase will demonstrate the Company's confidence in its own business outlook and prospects and would, ultimately, benefit the Company and create value for its Shareholders. As of the Latest Practicable Date, the Company has repurchased 9,954,800 Class A Shares under the Share Repurchase Mandate.

Save as disclosed in this annual report, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2023 and up to the Latest Practicable Date.

By order of the Board
TUHU Car Inc.
Mr. Chen Min
Chairman
Shanghai, 14 March 2024

Environmental, Social and Governance Report

ABOUT THE REPORT

Overview

This is the first Environmental, Social and Governance Report (hereinafter referred to as the "ESG Report") released by Tuhu Car Inc. Targeting at all stakeholders of the Company, the ESG Report focuses on disclosing the management, practices and performance of the Company in terms of economy, environment, society and governance.

Reporting Period

The Report covers the period from January 1, 2023 to December 31, 2023 (the "Reporting Period"), with some of the contents traced back to previous years.

Reporting Scope and Boundaries

The Report defines the organizational scope on the principle of importance. Unless otherwise specified, other substantive contents indicated herein all cover Tuhu Car Inc. and its subsidiaries, which is consistent with the scope of disclosure in the annual statement.

Reference Description

For ease of expression, Tuhu Car Inc. and its subsidiaries are also collectively referred to as "the Company", "Tuhu" or "We" in the Report.

Reporting Basis

The Report is compiled mainly in accordance with the Environmental, Social and Governance Reporting Guide in Appendix C2 of the Listing Rules issued by the Stock Exchange of Hong Kong Limited ("the Stock Exchange"), and relevant provisions based on principles of materiality, quantitative and consistency.

Data Sources and Reliability Statement

The information and data disclosed in the Report are sourced from the Company's statistical reports and official documents, which have been reviewed by relevant departments. The Company affirms that the contents of the Report don't contain any false records or misleading statements, and takes full responsibility for the authenticity, accuracy and integrity of the contents thereof.

Confirmation and Approval

The Report was approved by the Board of Directors on March 14, 2024 following confirmation by the management.

Access to the Report

The Report is made in both traditional Chinese and English, and the electronic version is available on the official website of the Stock Exchange.

Contact Details

We value the opinions of stakeholders and welcome readers to contact us through the following ways. Your feedback will help us further improve the Report and our ESG performance.

Email: ir@tuhu.cn

HIGHLIGHTS OF ESG PERFORMANCE

Environmental Performance

Energy consumption per unit of revenue
0.70
MWh/RMB 1 million

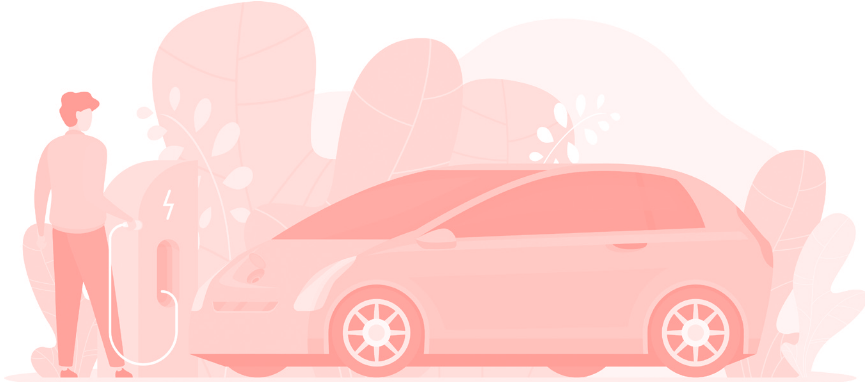
Greenhouse gas (GHG) emissions per unit of revenue
0.40
tonne CO_2 eq./RMB 1 million

Water consumption intensity
8.55
tonne/RMB 1 million

Total packaging material consumption
1,614.36
tonne

Total waste emission intensity
0.08
tonne/RMB 1 million

Saved an annual cost of RMB
1.00
million through recycling and replacing of new cartons for packaging



Environmental, Social and Governance Report

Social Performance

Employee integrity training coverage
100%

Number of employees involved in integrity training
10,848 Person-times

Rate of signing the Integrity Agreement with suppliers
100%

Manual customer satisfaction
91.5%

Complaint handling rate
100%

Annual charitable donation amount
RMB **3.0** million

Number of cooperative technical colleges
140

Number of industry-education integration bases constructed
9

Offered blue-collar job opportunities to a total of about
50,000 people

Environmental, Social and Governance Report

MAJOR EVENTS

2011

- TUHU.CN commenced operation
- Launched tire business
- Started to construct fulfillment infrastructure
- Launched partner store model

2012

- Established the first logistics centre

2013

- Partner stores exceeded 4,000
- Launched car maintenance service
- Launched motor oil business
- Launched chassis parts business

2014

- Expanded fulfillment infrastructures nationwide
- Launched the "Tuhu Automotive Service" APP

2015

- Launched Qipeilong business
- Launched the "Blue Tiger" system
- Launched storage battery sales business

2016

- Launched Tuhu workshops
- Became the largest tire provider in China

2017

- Launched car detailing business
- Provided SaaS solutions to upstream brand partners

2018

- First front distribution center (FDC) started operation
- Became the largest motor oil provider in China

2019

- Tuhu workshops exceeded 1,000
- Launched the "Unique Parts Code" system to realize full-chain traceability

2020

- Established emergency rescue service teams
- Accumulated more than 20 million transaction users

2021

- Provided NEV battery and charging pile maintenance services
- Annual sales exceeded RMB10 billion

2022

- Became the largest third party service provider of NEV battery and charging pile maintenance in China

2023

- Listed on the Main Board of the Hong Kong Stock Exchange, with the stock code of 9690.HK
- Tuhu workshops exceeded 5,000
- Accumulated more than 100 million registered users
- The company's first automated tire warehouse officially went into operation

Environmental, Social and Governance Report

HONORS AND AWARDS

ESG Awards

ESG Pioneer Practitioner

awarded by The Economic Daily – Securities Daily

Most Popular ESG Enterprises in the Greater Bay Area

awarded by *Yangcheng Evening News – Xin Kuai Bao* (The New Express)

Other Awards

- 2023 Top 100 Chain Enterprises in the Life Service Industry (1st Rank) — China Chain Store & Franchise Association
- Chinese Top 100 Internet Enterprises — Internet Society of China
- China Integrity Enterprises in the Automobile Repair Industry — China Automotive Maintenance and Repair Trade Association
- Forerunner in National Enterprise Standards — China Automobile Dealers Association
- Originality Brand Award — www.people.com.cn (People's Daily Online)
- International Financial News Annual Brand Innovation Case — People's Daily-International Financial News
- Shanghai Worker Pioneer Award — Shanghai Federation of Trades Unions
- IPO Companies Most Popular Among Investors — Zhitong Finance
- 2023 Top 100 Automotive Aftermarket Chain Stores (Eighth List) — AC Cars
- 2023 New Energy Vehicle (NEV) Service Star — AC Cars
- 2023 Best National Chain Store in the Top 100 Automotive Aftermarket Chain Stores (Eighth List) — AC Cars
- 2023 (12th) Top 100 Chain Stores of Automotive Service Golden Merit Award — Auto Service World

BOARD STATEMENT

The Board assumes the highest liability for ESG related matters of the Company. Under the leadership of the ESG Committee, the ESG Executing Group specifically deals with annual ESG matters. The Board also reviews and approves ESG strategies and goals, overseeing the ESG performance and progress in achieving such goals.

By developing effective ESG strategies, we aim to maintain a balance between the Company's business development and its impact on the environment and society, so as to better achieve sustainable development. The ESG Executing Group coordinates the work of various departments, implements our ESG strategies, and timely reports ESG related performance of the Company to the Board. The Board identifies, evaluates and controls ESG related risks, formulating appropriate and effective rules for ESG risk management and internal control from time to time. Under the supervision of the Board, we actively identify and monitor short-term, medium-term, and long-term climate related risks and opportunities, actively taking into account climate related issues in our business, strategies and financial plans. We will continue to explore an approach for contributing to establishment of a more environmentally friendly and sustainable society.

This year, the Company substantively analysed ESG issues of great concern to stakeholders. The Board also carried out the work of evaluating, prioritizing and controlling major ESG issues, and regularly reviews ESG concepts and management strategies, while evaluating their potential impact on the overall strategy of the Company.

Environmental, Social and Governance Report

ABOUT US

We are one of the leading integrated online and offline platforms for automotive services in China

Providing a digitalized and on-demand service experience underpinned by our customer-centric model and streamlined supply chain, we directly meet car owners' diverse needs of products and services. We are committed to creating an automotive service platform composed of car owners, suppliers, automotive service stores and other participants. As of the end of the reporting period, we had over 115.3 million registered users on our flagship "Tuhu Automotive Service" APP and online interfaces. And we had over 19.3 million transacting users in 2023. As of the end of the reporting period, our growing service network of 5,909 Tuhu workshops covered a majority of prefecture-level cities.

Aggregating sporadic automotive service demands onto one platform

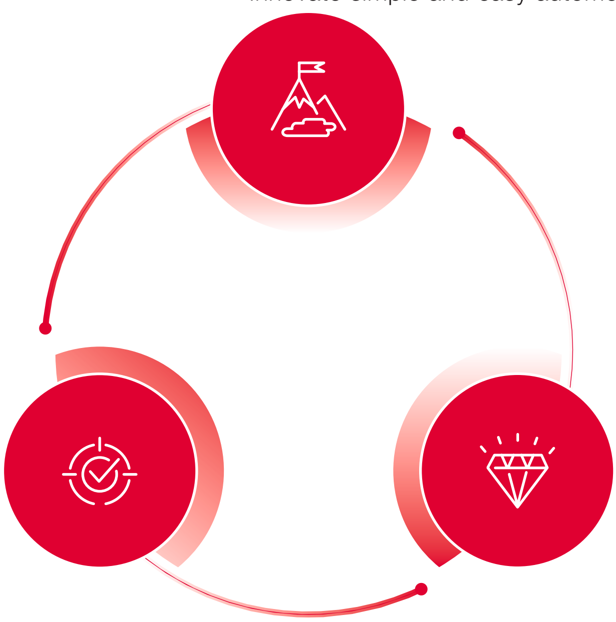
Our platform serves most of the passenger vehicle models sold in China, satisfying a wide range of automotive service demands for replacement of tires and chassis parts, auto maintenance, repair, detailing, etc. By aggregating sporadic automotive service demands, our platform significantly enhances customer engagement as compared to the traditional offline automotive service mode that is highly dependent on localized service demands.

We aim to provide our customers with authentic automotive products, high-quality and standardized services and attractive prices through our platform

Our purpose-built digitalized industry solutions optimize each key link of the entire supply and service chain, from merchandise sourcing, inventory management, fulfillment management to service rendering, so that our clients are highly loyal to our platform. Our annual repurchase rate was nearly 60% in 2023.

Mission

- Innovate simple and easy automotive service



Values

- Customer first
- Value creation through relentless innovation
- Franchisee-oriented service philosophy
- Continuous improvement
- Stay off fraud
- Win-win collaboration

Vision

- Become a leader in the automotive service industry

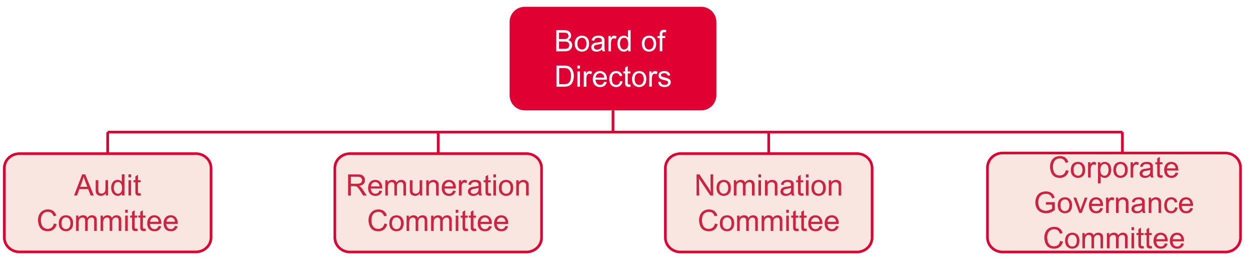
RESPONSIBLE GOVERNANCE

As a leading independent automotive service platform in China, we are deeply aware of the importance of responsible governance to our stable development. We have established a governance structure with clear rights and responsibilities, defined various responsibilities of ESG governance, further enhanced business ethics and risk control capabilities, and strengthened intellectual property protection, while maintaining regular communication with various stakeholders, to jointly promote the long-term development of the Company.

Compliance in Operation

Upholding the philosophy of responsible governance, we strictly comply with relevant laws, regulations and regulatory requirements such as the *Company Law of the People's Republic of China* and the *Listing Rules*. In strict accordance with internal governance regulations and procedures, we conduct responsible governance in the operation process, and implement a high-standard governance system.

We continuously improve the corporate governance structure, in which the Board serves as the highest decision-making body, and runs the Audit Committee, the Remuneration Committee, the Nomination Committee and the Corporate Governance Committee. They work together to oversee the business operation and management and ensure scientific and reasonable decision-making, so as to boost the compliant and stable development of the Company.



We also promote the diversity of composition of the Board. We comprehensively take into account the factors such as gender, age, ethnicity, cultural background, professional experience, to select and recommend the candidates for the Board. The Nomination Committee reviews and oversees the performance of the Board in diversity. We attach great importance to the diversity in the composition of the Board. As of the end of the reporting period, the Board had six directors with different industry backgrounds, including one female director.

Directors	Title	Experience/Skills Risk management	Financial management	Industry experience
Mr. Chen Min	Executive Director	√		√
Mr. Hu Xiaodong	Executive Director	√		√
Mr. Yao Leiwen	Non-executive Director	√		√
Ms. Yan Huiping	Independent Non-executive Director		√	√
Mr. Feng Wei	Independent Non-executive Director		√	√
Mr. Wang Jingbo	Independent Non-executive Director		√	

Composition of the Board of Directors of Tuhu[1]

1 For the backgrounds of the members of the Board of Directors, please refer to "Profiles of Directors and Senior Management" in this annual report.

Environmental, Social and Governance Report

ESG Management

Paying close attention to the impact of our business development on the environment and society, we have established and continuously optimized the ESG governance structure. In close conjunction with various stakeholders, we strive to enhance scientific governance to ensure our business decision-making and operations are in line with sustainability goals.

Always following the path of sustainable development, Tuhu has established a three-tiered (governance-management-execution) ESG governance structure, defined the ESG related responsibilities, and incorporated the philosophy of sustainability into daily operations and decision-making. Meanwhile, continuously enhancing the Company's ESG governance capability, we are committed to continuously creating value for our users, partners and stakeholders.

Governance structure hierarchy	Governance structure	Specific duties
Governance	Board of Directors	• Assume the ultimate responsibility for ESG related matters of the Company as the highest decision-making body • Review and approve ESG strategies and goals, overseeing the ESG performance and progress in achieving such goals
Management	ESG Committee	• Develop medium and long-term ESG goals and work plans • Ensure the implementation of the ESG system and related work, and strongly support ESG work through resource allocation
Execution	ESG Executing Group	• Implement the annual ESG work plan under the leadership of the ESG Committee, with the members composed of heads of various functional departments in charge of ESG affairs

ESG Governance Structure of Tuhu

Stakeholder Communication

Highly valuing communication and collaboration with internal and external stakeholders, we continuously optimize and enrich communication mechanisms and channels, to timely understand and listen to the suggestions and expectations of government and regulators, shareholders and investors, employees, customers, partners and other stakeholders on the Company's development. We give positive response through practical actions to help the Company achieve long-term sustainable development.

Environmental, Social and Governance Report

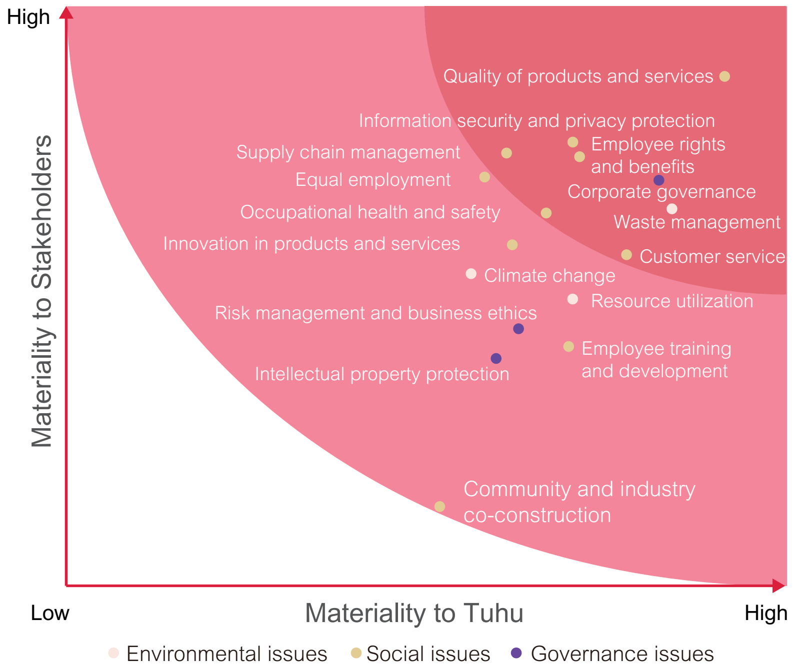
Mechanism of Communication with Stakeholders

Stakeholders	Material Issues	Communication channels
Government and regulators	• Compliance governance and risk control • Data security and privacy protection • Business ethics and anti-corruption • Climate change, energy conservation and emission reduction	• Information disclosure • Daily communication and reporting • Investigation and inspection • Visitor reception
Shareholders and investors	• Compliance governance and risk control • Stably increasing return on investment • Data security and privacy protection • Business ethics and anti-corruption • Diversity and inclusiveness	• Offline meeting/on-site communication • Official website and social media • Regular reporting and announcement • Online meeting • Investment banking summit
Employees	• Legal employment • Diversity and inclusiveness • Training and development • Employee benefits • Occupational health and safety	• Employee satisfaction surveys • Internal office system • Internal communication meeting • Online/offline activities • Corporate culture publicity • Employee care activities
Customers	• Product quality and safety • Customer service and satisfaction • Data security and privacy protection • Business ethics and anti-corruption	• Official APP • Customer service hotline • Offline stores • Official website and social media • Questionnaire survey
Suppliers and business partners	• Product quality and safety • Customer service and satisfaction • Data security and privacy protection • Business ethics and anti-corruption • Supplier management	• Field survey • Official website and social media • Supplier communication and training
Media and the public	• Compliance in operation • Environmental protection • Product quality and safety • Community investment and development	• Official website and social media • Press conference • Media interview
Communities	• Public welfare projects • Community investment and development • Volunteer activities • Environmental protection	• Public welfare projects/volunteer activities • Environmental protection promotion

Environmental, Social and Governance Report

ESG Materiality Issues

According to feedback from stakeholders, industry trends, market studies and other internal factors, we analysed and identified 16 materiality issues. Through irregular communication with and feedback from both internal and external stakeholders, we formed the following matrix of materiality ESG issues identified according to the Company's development strategy. We will focus on addressing the following materiality issues.



Materiality Issues Matrix of Tuhu

Subitem	Issue	Degree of importance
Governance issues	Corporate governance	High
	Risk management and business ethics	Moderate
	Intellectual property protection	Moderate
Social issues	Customer service	High
	Occupational health and safety	High
	Information security and privacy protection	High
	Supply chain management	High
	Employee rights and benefits	High
	Quality of products and services	High
	Innovation in products and services	Moderate
	Equal employment	Moderate
	Employee training and development	Moderate
	Community and industry co-construction	Moderate
Environmental issues	Waste management	High
	Climate change	Moderate
	Resource utilization	Moderate

Environmental, Social and Governance Report

Risk Management

Tuhu regards risk control and internal audits as the cornerstone of stable development. Following internal control rules such as the Risk Event Database Management Rules of Tuhu, we continuously integrate and optimize risk review and response strategies, to comprehensively improve the Company's compliance risk management level. We have established a "Three lines of defense" internal risk control architecture according to actual business scenarios of the Company, in which the Board serves as the highest decision-making and regulatory body and various departments of all levels collaborate synchronously and efficiently to prevent and deal with potential compliance risks.

First line of defense All business units and functional departments

- Various functional departments and business units regularly review their own business processes, identify and evaluate potential risks, and take corresponding risk management measures according to the results of risk assessment

Second line of defense Internal Control Center

- Composed of relevant functional departments in charge of internal control, legal, quality inspection, information security and finance respectively, the Internal Control Center sets risk management objectives and ensures compliance in laws and regulations, professional ethics, information security and other aspects
- The Internal Control Department as the main leading department of risk management strictly implements the risk management system and process, and regularly organizes internal audits, effectively supervising and promoting the upgrade of processes and systems for the first line of defense

Third line of defense Internal Audit Center and Supervision Center

- On the basis of continuously improving the monitoring and early warning system, the Internal Audit Department regularly organizes internal audits to identify risk loopholes in the business process and advance rectification. Meanwhile, it provides services of independent and objective evaluation and supervision to ensure the effectiveness of risk management and internal control
- Having established a comprehensive compliance risk defense mechanism, the Supervision Department monitors and analyses potential risks of job-related crimes, takes targeted management measures, and regularly organizes internal compliance training and integrity publicity, and cooperates with the Internal Audit Department to form the third line of defense

Risk Prevention and Control Mechanism of Tuhu

Environmental, Social and Governance Report

Tuhu regularly collects risk events from various business lines, and the Internal Audit Department identifies the types, root causes and levels of risks, and compiles a visual risk map of the Company. In 2023, we organized special risk audits on key business lines of innovation, tires and maintenance. We used visual tools to display the likelihood and potential impact of risk occurrence, prepared a risk matrix and a risk assessment report on this basis, and promptly made rectification to address the risk issues identified through audits. During the reporting period, Tuhu organized eight special audits, thoroughly analysed the identified problems, and came up with solutions according to the root causes and risk assessment results.

Risk Audit Process of Tuhu

1. Screen special audit items
2. Develop an internal audit plan
3. Carry out audit work according to the plan
4. Assess the issues found through the audit, classify and grade
5. Prepare an audit report, and present audit opinions and conclusions
6. Make rectification to address the issues identified through the audit to complete the audit

We regularly organize risk management training to enhance employees' risk awareness and compliance operational capabilities, so as to enhance the overall risk awareness of the Company. During the reporting period, we organized online and offline trainings on risk event reporting and business process standardization for various business departments, to enhance employees' practical skills in risk event identification, process standardization and so on, and to improve the risk prevention and control capabilities and business process standardization levels of business departments.

Risk Event Management Training

In 2023, Tuhu organized training on risk event filling and reporting for all business departments of the Company, including 18 primary business departments and 34 secondary business departments. We introduced the background and importance of risk event filling and reporting in detail, and clarified the definition, grading standards and requirements for filling and reporting risk events. We have enhanced the risk management capabilities of various business departments, strengthened the sharing and exchange of risk information, and improved the Company's risk prevention and control level.

Environmental, Social and Governance Report

Business Ethics

In strict accordance with relevant laws and regulations such as the *Supervision Law of the People's Republic of China and the Anti-Unfair Competition Law of the People's Republic of China*, Tuhu has formulated internal policies and rules such as the Code of Conduct for Employees and the Employee Handbook, which must be obeyed by all employees. In such policies and rules, irregularities such as corruption and bribery, conflicts of interest, asset misappropriation and fraud are explicitly stipulated. In addition, we have established a punishment mechanism to effectively prevent and address various violations. When signing or renewing labor contracts with all employees, we also sign the *Anti-Commercial Bribery Agreement* with them to further enhance their compliance awareness.

Red line behaviors	Vigilant behaviors	Exhortation behaviors
Refer to the behaviors that seriously harm our brand image, our partners, information security, organizational atmosphere or other employees' emotions, which not only violate the values of Tuhu, but also public order and good morals	Refer to the behaviors that affect or hinder positive communication between us and our partners, and have negative impacts on the collaboration and communication with the Company or internal employees	Refer to the behaviors that hinder team collaboration, cross-department communication and innovation

Classification of Violations of the Tuhu's Code of Conduct for Employees

For the above violations, we have established a punishment mechanism including admonishing talks, public criticism, reduction of bonuses, or handover to judicial organs as the case may be, to maintain a good business environment. In 2023, Tuhu has initiated two cases of corruption and violation of business ethics that caused property losses to the company. At present, the two cases have been concluded, and the personnel involved therein have been held criminally liable according to the law. Learning from relevant cases, we have further strengthened compliance training of all employees, and spared no effort to enhance their legal awareness, so as to build a strong barrier of integrity. Before cooperating with any third-party partners, we strictly review their compliance and enter into integrity agreements with them, while clarifying the business ethics and code of conduct that should be followed in the cooperation process. As of the end of the reporting period, we had signed the Anti-Commercial Bribery Agreement with all suppliers and other third-party partners.

Environmental, Social and Governance Report

In order to establish a sound mechanism for monitoring and reporting violations of business ethics, Tuhu has opened internal and external reporting channels such as hotlines, reporting mailboxes and Blue Tiger APP questionnaires. The Supervision Center independent of business departments is responsible for investigating reported violations and taking appropriate measures. We encourage our employees, suppliers and other internal and external partners to jointly supervise the Company's performance in business ethics. To safeguard the legitimate rights and interests of informants, we have formulated the Informant Privacy Protection Management Rules, according to which any personnel can make complaints in accordance with the Company's relevant provisions. We strictly keep confidential the informants' personal privacy and report contents, strictly prohibit any retaliation against the informants. For any violations verified, corresponding punishments will be given according to the Company's relevant rules. Any case of crime will be transferred to judicial organs for dealing with in accordance with the law.

Reporting hotline:
18512156919

Email:
jubao@tuhu.cn

Channels of Reporting Violations in Business Ethics of Tuhu

Tuhu constantly deepens integrity culture advancement through multiple initiatives such as business ethics training, integrity publicity, etc. We regularly organize training on professional ethics, anti-fraud, integrity and so forth for senior executives and all employees, and also special education for different posts, to ensure that all employees keep abreast of the latest policies on anti-bribery and anti-corruption. Through disciplinary offence notification and internal case publicity, we hope to enhance the warning effect while encouraging employees to strictly abide by internal and external rules and regulations in the process of business operation. At the executive meeting, each department will report recent progress in investigating corruption cases and deeply identify the risks and loopholes discovered during the investigation, and discuss optimization and improvement solutions, to enable the executives to have a better understanding of internal corruption cases, to enhance risk control over various aspects, and to reduce the exposure to corruption risks.

Employee training coverage **100%**

Person-times of employees having received the business ethics training **10,848**

Total hours of business ethics training **1,922**

Performance of Integrity Training in Tuhu 2023

Online Knowledge Contest of "Smart Tiger Competition"

In June 2023, Tuhu held the knowledge contest of "Smart Tiger Competition". We designed exercise questions from multiple dimensions such as corporate culture, business ethics, information security, and code of conduct for employees, enabling our employees to do exercises by module online. In order to further enhance employees' participation and enthusiasm, we specially designed the links of commending and rewarding, urging employees to timely identify the omissions and figure out improvement measures in the process of consolidating knowledge, so that they gained a better understanding of the Company's compliance rules.

Environmental, Social and Governance Report

Intellectual Property

We firmly believe that leading technological innovation and knowledge management are the core driving force for enterprise development, and strictly abide by relevant laws and regulations such as the *Patent Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China* and the *Copyright Law of the People's Republic of China*. In addition, we have formulated and improved internal control procedures for intellectual property right, to strongly support the Company's business expansion and sustainable innovation.

Meanwhile, we ensure the Company's business in compliance with relevant provisions by strengthening the review and early warning of intellectual property rights, regularly monitoring any infringement or theft of the Company's intellectual property rights, enhancing the employees' awareness and ability to protect intellectual property rights, and paying close attention to the updates and changes in laws and regulations. When signing agreements with any third party, we will clarify related causes and terms on intellectual property protection and define the rights and obligations of both parties, to minimize intellectual property risks. In 2023, Tuhu was not involved in any case of serious intellectual property infringement. As of the end of the reporting period, Tuhu cumulatively obtained a total of 103 patents and 1,665 trademarks.

7
Total number of utility model patents obtained

3
Total number of invention patents obtained

93
Total number of design patents obtained

46
Number of newly added patents during the reporting period

379
Number of newly added trademarks during the reporting period

Acquisition of Tuhu Intellectual Property Rights

Environmental, Social and Governance Report

SERVICE GUARANTEE

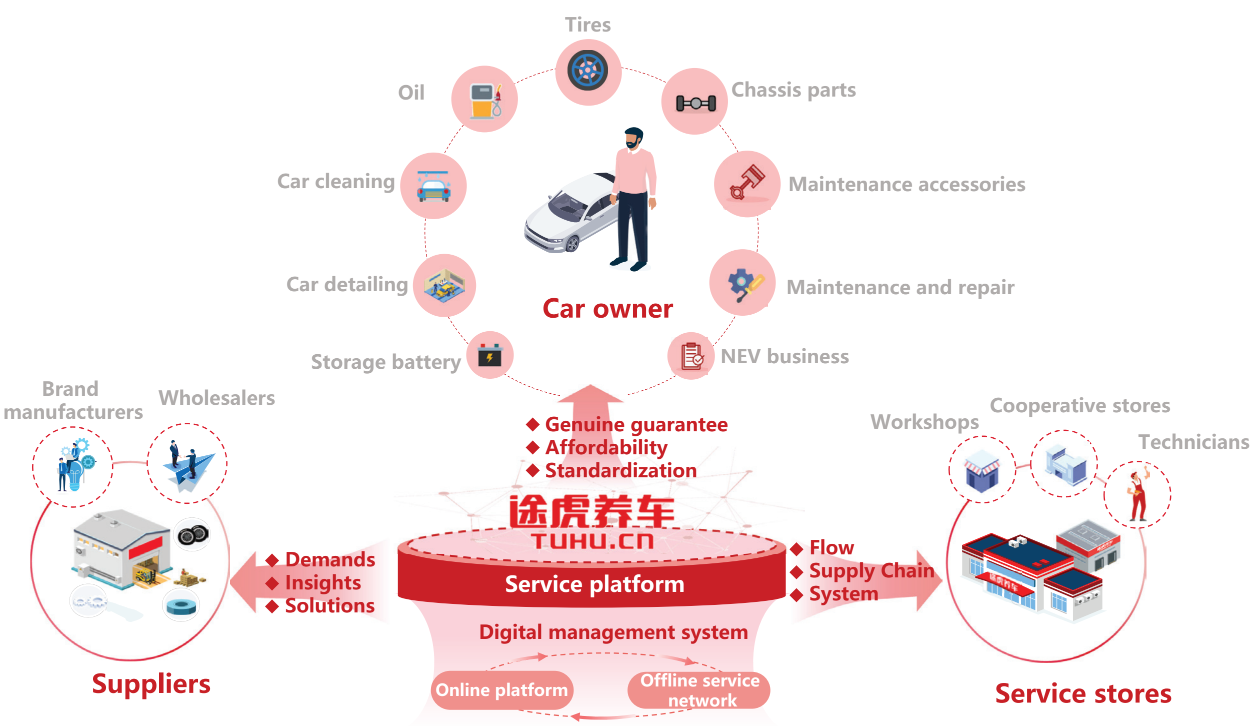
Shouldering the mission of "innovate simple and easy automotive service", we are committed to creating an automotive service platform composed of car owners, suppliers, automotive service stores and other participants relying on our customer-centric model and streamlined supply chain. Focusing on multiple business scenarios, we actively build an industry ecosystem while ensuring the quality of our products and services. Meanwhile, in conjunction with our partners, we strive to provide quality services and boost high-quality development of the industry.

PRODUCTS AND SERVICES

Tuhu always takes continuous iteration and innovation as the top driving force, high-quality service as the cornerstone, and meeting of customer needs as the core competitiveness. Insisting on technological innovation, we are committed to establishing a sound quality management system, facilitating communication with customers, and bringing excellent experience to customers.

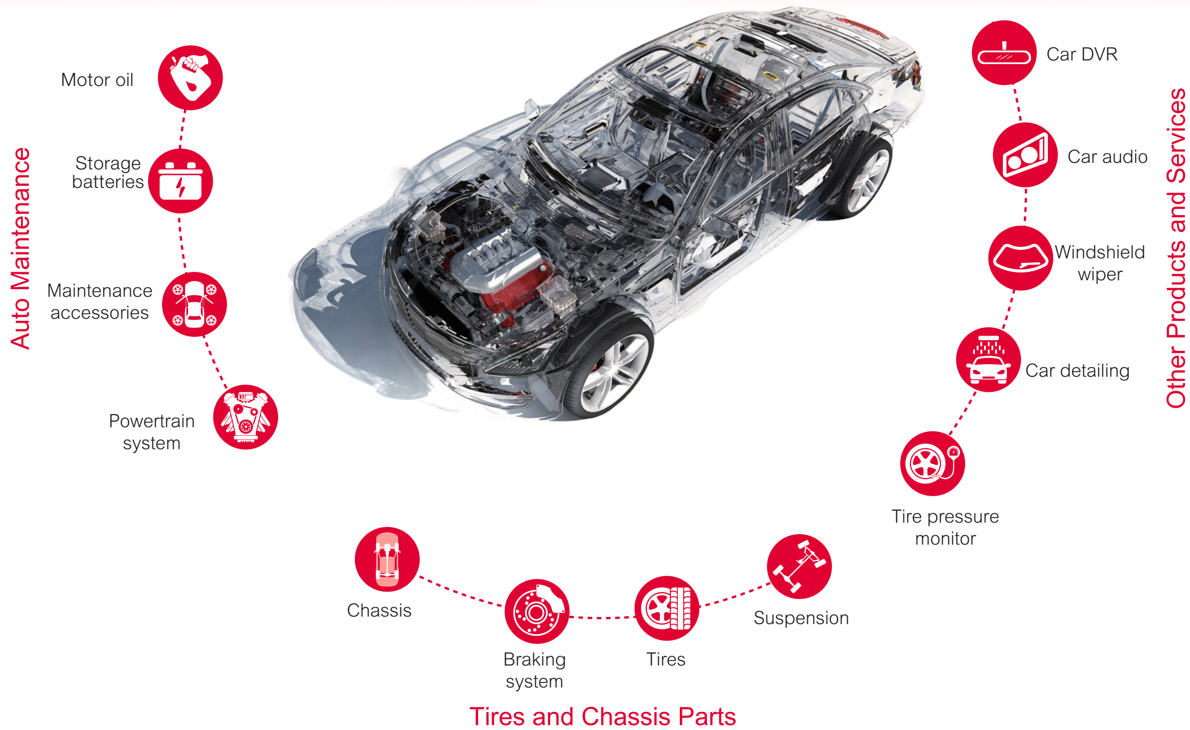
Innovations in Products and Services

As one of the leading integrated online and offline platforms for automotive services in China, Tuhu innovatively integrates technical solutions and integrated online and offline services. We are gradually experiencing a shift from an online retail platform to an offline network composed of well-run stores and technicians. We strive to provide car owners with digital end-to-end solutions covering all aspects of the automotive service value chain, as well as high-quality, efficient and standardized in-store automotive services.



End-to-End Automotive Service Solution

Environmental, Social and Governance Report



Automotive Services and Spare Parts

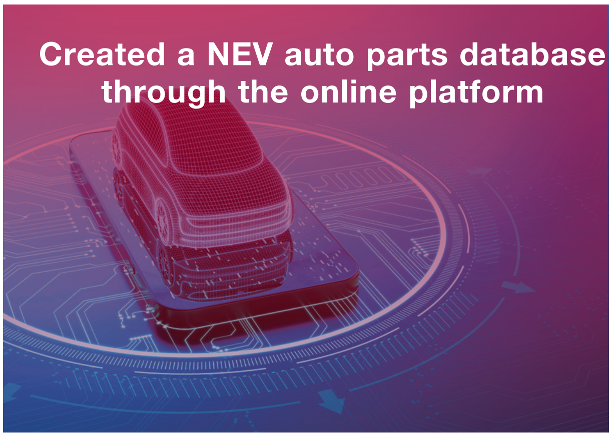
Tuhu provides customers with diverse and expanding range of products and services, including tires, chassis parts, auto maintenance, repair, detailing, and spare parts. In 2023, Tuhu launched the innovative service of "28-minute door-to-door service of battery replacement with delay penalty", and actively explored the opportunities of NEV maintenance, while probing into the needs of car owners and making constant innovation in technology and service for sustainable development.

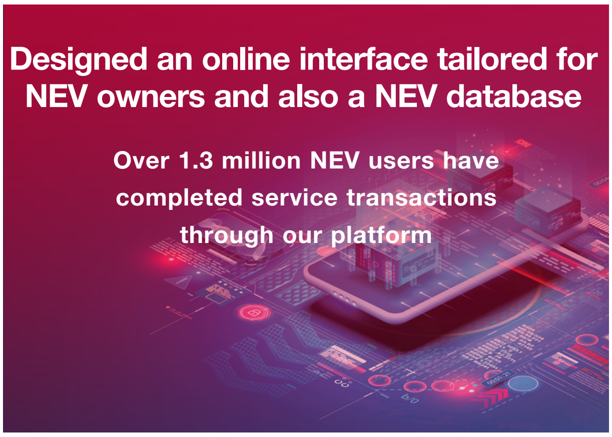
Business Innovations in NEVs

In recent years, the NEV market in China has undergone a fast growth, which is driven by the consumers' enhanced awareness of environmental protection, increasing government policy incentives, rapid development of NEV technology, and increasing popularity of NEVs. Tuhu values the opportunities brought by the development of NEVs to the automotive service market, and is actively exploring more feasible and cost-effective solutions and specialized customized automotive services for NEVs. As the sole independent automotive aftermarket service enterprise, we are getting involved in the formulation of three national and local NEV standards simultaneously, in such a way, we are contributing to the standardization of the NEV industry.

Environmental, Social and Governance Report

Among NEVs, plug-in hybrid electric vehicles (PHEVs) require maintenance of engines and batteries, while battery electric vehicles (BEVs) with battery power systems completely replacing internal combustion engines, have less demand for power system maintenance as compared to fuel vehicles and PHEVs. In view of different characteristics of PHEVs and BEVs, Tuhu has launched special services for NEVs, which are upgraded services based on the factory maintenance service. In response to the impact of NEVs on the after-sales market, we strive to meet higher-level demands of NEV owners. Meanwhile, we are renovating and upgrading our offline stores and online interfaces, and optimizing in various aspects to provide excellent services for NEV owners.





NEV Service Guarantee Measures of Tuhu

Environmental, Social and Governance Report

PHEVs

- We have launched oil tailored for extended range electric vehicles (EREVs) and PHEVs, which reduces fuel consumption and improves power output under Power deficit conditions.

BEVs

- To provide BEV owners with better services, we have designed separate event venues and exclusive coupons, and the coupons apply to cabin air filters, windscreen wipers and other consumables.
- We have established partnerships with mainstream NEV battery manufacturers and battery solution providers. Upon entrustment, we provide our customers with battery related services, such as battery capacity testing and maintenance, battery recycling, and electrical system replacement.

Environmental, Social and Governance Report

NEV Battery Maintenance

In order to cope with the explosive trend of NEVs, Tuhu provides professional battery repair service by obtaining authorization from battery manufacturers. By designing a service process suited to market demand, we have improved the overall efficiency of battery maintenance and reduced maintenance costs through systematic management.

During the reporting period, Tuhu cooperated with 13 battery manufacturers and six insurance companies in after-sales battery maintenance, and completed 22,000 battery service orders in 2023.

Tiger-style Car Wash and Detailing Service

Tuhu has innovatively refined traditional car detailing services, and further divided them into “Tuhu Quick Wash”, “Standard Car Wash”, “Delicate Car Wash”, “Interior Cleaning and Detailing Services” through three-dimensional upgrading. We have developed a set of systematic service standards with our own characteristics, graded and priced the services listed in each matrix to meet the increasingly diverse user needs. In terms of refined car detailing, we have actively expanded the supply chain of multiple service products such as window films, car covers and color change films. We promoted and enriched refined car detailing services by enhancing professional service capabilities and comprehensively upgrading and renovating store facilities. We are committed to providing users with a wide range of comprehensive novel car detailing services.

Innovative Service of “28-Minute Door-to-Door Service of Battery Replacement with Delay Penalty”

In order to meet the urgent need of users to replace batteries in a timely manner, Tuhu launched the service of “28-minute door-to-door service of battery replacement with delay penalty” in 20 cities including Chengdu, Shanghai, Wuhan and Beijing since April 2023. Our battery supplier management team is actively seeking for business outlets in various cities of China that can provide the 28-minute door-to-door service. We strictly review the qualification and information of each business outlet, including the location, business hours, service radius and product inventory, to ensure the quality of door-to-door installation service. The battery department monitors the service efficiency of each business outlet every week, and phases out the outlets with poor service quality, while replenishing service outlets in core areas in a timely manner. During the reporting period, we had owned 265 service outlets capable of providing the 28-minute door-to-door service of battery replacement, and served about 60,000 users.

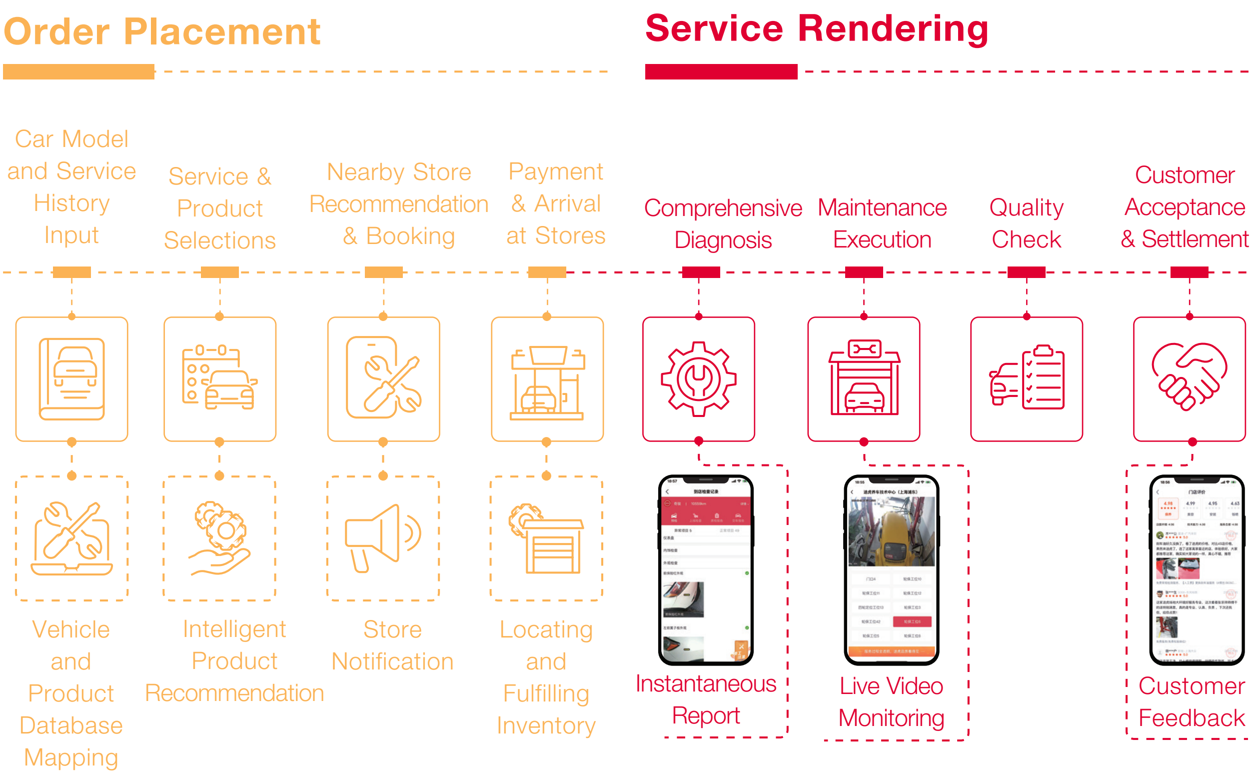
Environmental, Social and Governance Report

Customer Service

Tuhu firmly believes that excellent customer experience is the key to success. Being customer-oriented, we persistently pursue optimization of online and offline customer experience, and ensure to fully listen to and respond to every user's demand and voice through smooth communication channels. In addition, we strictly regulate our marketing behaviors, closely monitor the effectiveness and compliance of all marketing activities, and treat every end user and eco-partner with a truthful and transparent manner.

User Experience

Through the full-process, professional and standardized service system, we are able to provide consumers with excellent service experience and high-quality services on the basis of fully meeting their needs. In a digital and on-demand service manner, we provide full-process services including online ordering, offline fulfillment and after-sales feedback.



Optimization of the Online and Offline Service Process

Environmental, Social and Governance Report

Online ordering

- After a user places an order online, we will guide him/her to choose an appropriate store capable of providing convenient services. If the chosen store has no inventory of needed products, our warehouse management system and transportation management system will automatically process the order and send the ordered products to the target store
- The systems will intelligently customize products and services conveniently for a user according to his/her order, browsing records, other user portraits, and service capabilities of the target store

Offline fulfillment

- We have developed the Standard Eight-Step Service Process, enabling our users to receive standardized services and products at any Tuhu workshop
- Through live streaming of the entire service process and final quality inspection before returning the vehicle to the customer, we ensure that the required products have been installed properly and the vehicle is in a safe condition after proper maintenance

After-sales feedback and handling

- Through online interfaces and hotlines, dedicated customer service representatives can help customers to find out feasible solutions and promptly respond to and meet customer demands
- By introducing an intelligent customer service platform, we have significantly improved the efficiency of work order information query and achieved online retrieval and monitoring of customer complaints.

User Complaints

Tuhu is committed to responding to every feedback and complaint seriously from our users. Through the management mechanism of comprehensive public opinion monitoring, we actively understand public opinions and collect customer feedback. In addition, we respond to and handle customer complaints in a timely manner, following the sound customer complaint and handling procedures. During the reporting period, our customer satisfaction rate reached 94.2%, an increase of 1.5% on a year-on-year basis.

Environmental, Social and Governance Report

Complaint handling

- **Sound handling mechanism**: Based on the Certificate of Personnel Competence (COPC) Scheme, we track the performance in complaint handling, taking the service rate per 10,000 orders (service volume/order volume) as a core indicator of experience assessment.We have established a project group composed of personnel from departments of customer service, platform, transaction, logistics and business, and clarified the direct responsible persons, regularly tracking the progress

Customer Complaint Handling Mechanism

Certification to the COPC CX Standard in User Service

During the reporting period, we passed the certification to the COPC CX Standard in the user service system. We have established a stable customer service center operation system through standardized evaluation and structured improvement of customer experience, solidified the operational foundation, and built a high-performance team. While providing our customers with excellent service experience and perception effect, we are committed to achieving a long-term balance between service, quality and satisfaction.

COPC Certificate

Environmental, Social and Governance Report

Customer Satisfaction

Tuhu insists on exploring the optimal solutions to problems in practice. We actively collect user evaluations of products using the Net Promoter Score (NPS) to find out problems in products and services, while seeking for business improvement and resolution. In order to timely understand customer feedback and problems, we actively collect data of customer complaints, so as to continuously achieve self-improvement.

In 2023, we collected user satisfaction data through questionnaire surveys. After completing an order, we sent a questionnaire to the customer by SMS and APP Notification, inviting him/her to score (5 points in total) the intelligent robots' capabilities, and the manual customer service throughout the process, to obtain customer satisfaction in all aspects. As of the end of the reporting period, we properly handled all of 5,407 complaints, and the satisfaction of manual customer service reached 91.5%.

Quality Assurance

We always value service quality and product authenticity, which is crucial for our sustainable development. Adhering to the principle of quality first, we are committed to providing customers with high-quality automotive products and services in a professional, comprehensive and one-stop manner, on the basis of ensuring constant service quality and product authenticity. We continuously improve the quality management system and standardized quality management process, actively participate in product and service quality certifications, enhance the quality awareness of all staff, and consolidate our brand image of being safe and reliable.

Tuhu strictly abides by relevant laws and regulations such as the *Product Quality Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests*, and the *Civil Code of the People's Republic of China*. We have formulated internal policies and rules such as the Product Quality Standard, the Quality (Store) Standard Management Process, the Quality (Store) Demand Management Process, and the Quality Improvement Management System. In addition, we have implemented full-process management of quality monitoring, quality problem discovery and rectification, to comprehensively ensure the quality of products and services.

Environmental, Social and Governance Report

Quality monitoring standards	**Products:** Standards and processes of factory inspection and goods inspection, warehouse entry inspection standards, and full inspection mechanism for return of goods **Services:** Quality monitoring standards for stores, customer service and supply chain
Quality problem discovery	**Products:** We conduct factory inspection and goods inspection in the early stage of business, to identify quality problems of the suppliers and prevent potential quality hazards. In the warehouse entry process, warehouse inspectors inspect goods using a standard sampling method according to the warehouse entry inspection standards, to prevent defective products from entering the sales chain. For the reverse logistics links including return and transfer of goods, we adopt a full inspection mechanism to prevent defective products from being sold **Services:** According to quality monitoring standards, we collect quality data of business through remote and on-site quality inspections, to evaluate the business quality and discover quality problems and trends
Rectification of quality problems	We inform business departments the quality problems of products and services through quality warnings, quality reports and quality improvement meetings, make corresponding improvement plans to deal with quality problems, and track the rectification of quality problems

We continuously improve the quality management system and actively receive third-party quality system certifications to standardize the internal quality assurance work. As of the end of the reporting period, Tuhu had passed the ISO 9001 quality management system certification and the national enterprise standard "Forerunner" certification for retail services. During the reporting period, Tuhu did not recall any products sold or shipped due to safety reasons.

National Enterprise Standard "Forerunner" Certification for Retail Services

National Enterprise Standard "Forerunner" Certification is jointly organized by eight departments including the State Administration for Market Regulation, to cultivate a group of industry-leading innovative enterprises committed to high-quality development in line with high-level standards applicable to the industry, enterprises and consumers. Tuhu became one of the first certified enterprises in 2023.


证书编号：ESF2023-000F526302015807

"领跑者"证书

FORERUNNER CERTIFICATE

上海阑途信息技术有限公司：

按照市场监管总局等八部门推动的企业标准"领跑者"制度相关要求，依据发布的《质量分级及"领跑者"评价要求 汽车零配件零售服务》（T/CADA 30-2023、T/CAS 781-2023）标准中先进水平要求，经评估，贵公司自我声明的 Q/TUHU 01-2023《汽车零配件零售服务》企业标准以及提供的汽车零配件零售服务符合要求，纳入 2023 年"领跑者"名单。

评估机构：中国汽车流通协会

发证日期：2023 年 12 月 26 日

本证书由企标"领跑者"工作机构统一编号，由企标"领跑者"工作委员会印制。相关信息可在质量分级及领跑者管理信息平台（https://www.qybzlp.com）上查询。

Environmental, Social and Governance Report

Tire Products and Service Guarantee

To ensure the quality of tire products and services, we have formulated the Tire Warehousing Acceptance Standards and registered corresponding copyrights in 2017. In addition, we have established a mechanism of triggering quality warning when warehousing inspection of tires meets certain conditions within a certain period of time. We promptly inform relevant parties of quality problems identified through warehousing inspection, so as to develop corresponding prevention and treatment plans in advance, minimize or even avoid customer complaints about quality, and minimize the impact of quality problems on products and services.

We continuously optimize the quality of tire products and services through a series of initiatives such as ten free Tiger-style services, three-year tire warranty of Tuhu, and five-year factory warranty. During the reporting period, TÜV Rheinland granted China-mark certificates to 15 types of tries of 10 well-known domestic and foreign brands sold by Tuhu.

Ten free Tiger-style services

- Installation: free installation, free dynamic balance, free valves, free nitrogen filling (at designated stores), and free tire rotation
- After-sales services: free inflation and adjustment of tire pressure, free dynamic balance, free tire rotation, free tire safety inspection, and tire warranty

Three-year tire warranty of Tuhu

After passing the vehicle model certification, a user can apply for a tire warranty on the page of order details, and the tire warranty will take effect immediately after the installation of tires

Five-year factory warranty

Some manufacturers protect the rights and interests of users by offering new tires within five years from date of tire production if new tires meet the factory's claim criteria

Tire Service Guarantee of Tuhu

Environmental, Social and Governance Report

Maintenance Products and Service Guarantee

To control product quality and maintain the value chain, we provide users with more reliable channels for purchasing maintenance products, to maximize the product competitiveness and personal interests of car owners.

- Quality assurance: All self-operated brand products of Tuhu have brand licenses, and are shipped from warehouse to warehouse. All of our products are genuine, high-quality and traceable
- After-sales guarantee: Our professional after-sales team provides long-term warranty services, thereby safeguarding the safety of car owners
- We highlight selling points of products by brand and category, control quality, set reasonable product warranty periods (shelf life) through communication with brand owners, and clearly mark the product warranty period on the product details page, so that consumers can purchase and use products more at ease
- Instant installation: We provide customers with instant installation service, intelligently recommend products and service items according to their vehicle conditions, optimize details of maintenance items, and record maintenance details

Environmental, Social and Governance Report

Store Service Guarantee

Tuhu has established unified supply chain service quality standards for stores of Tuhu, to ensure that users can get high-quality services and genuine products in different stores of the Company.

With internal proprietary system, we can push ahead with standardize operations and finance/transaction management in all Tuhu workshops. In addition, we have established standard operating procedures (including step-by-step guideline for guiding and monitoring store operations, assisting stores in training and evaluating technicians). We have formulated a total of 92 quality inspection standards and procedures, including the Store Quality Inspection Standards, the Quality Inspection Plans, the On-site Quality Inspection Standards and Operating Procedures, and the Remote Quality Inspection Procedures, to fully meet the Company's needs of compliance, business team design and users.

We design monthly inspection tasks according to sampling rules, and inspect all stores on a quarterly basis while ensuring the basic sample size. We collect and keep store inspection data through remote inspection and on-site inspection. According to the associated punishment rules for unqualified stores, we have established a full chain control process (inspection-appeal-punishment). We actively communicate with business departments from monthly quality reports to improve business quality.

"Unique Parts Code" System

To continuously improve our products and services, we have developed the "Unique Parts Code" system. The system allocates a unique code to each product to be warehoused. This code is used to monitor the entire order fulfillment process. The progress of order fulfillment is updated in real time through our online system. We ensure that every product we sold is traceable in the whole process from purchase to installation.

Quality Culture

Tuhu is committed to enhancing quality awareness of all staff. We provide real-time training and guidance services for technicians at various levels, including a comprehensive professional knowledge database and operation guides for various auto services. In addition, we have initiated a technician experience sharing program. A group of experienced senior technicians can instruct stores to solve automotive maintenance problems online and share their experience in improving the quality, efficiency and standardization of services.

To continuously improve the competence and service quality of technicians, we provide them with training at regular intervals, including quality training and quality inspection skills training.

Environmental, Social and Governance Report

Training on product quality inspection

During the 2-month probationary period, new technicians need to have a good understanding of business knowledge and proficiently master the standards for determining the business category. New technicians need to complete skill certification in both theory and practice according to flexible standards

Based on video demonstration of all-staff training, we regularly review the technician's awareness of identifying quality inspection standards

Training on standards of identifying defective products

Through the training on standards of identifying defective products, we help warehouse keepers better understand and master such standards, so that they can find out defective products more accurately (achieving the preset goals), so as to reduce unnecessary losses to the Company

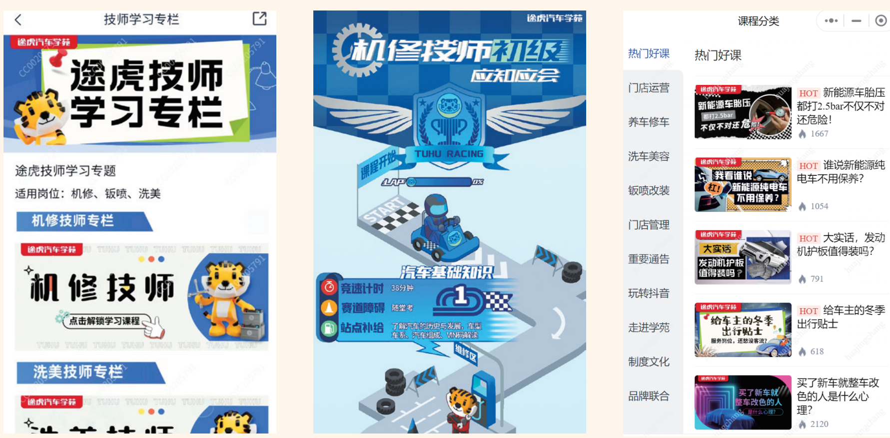
Product Quality Training

Team training on quality inspection for delivery

We provide new technicians with specialized training on quality inspection standards and methods, and organize centralized training in case of changes in quality inspection standards

We identify differences in routine quality inspection through monthly calibration, bi-weekly exams, follow-up inspections, internal audits and so on, and organize specific personnel to receive specific training according to the differences

Service Quality Training



Abundant Learning Courses for Technicians on Blue Tiger APP

Environmental, Social and Governance Report

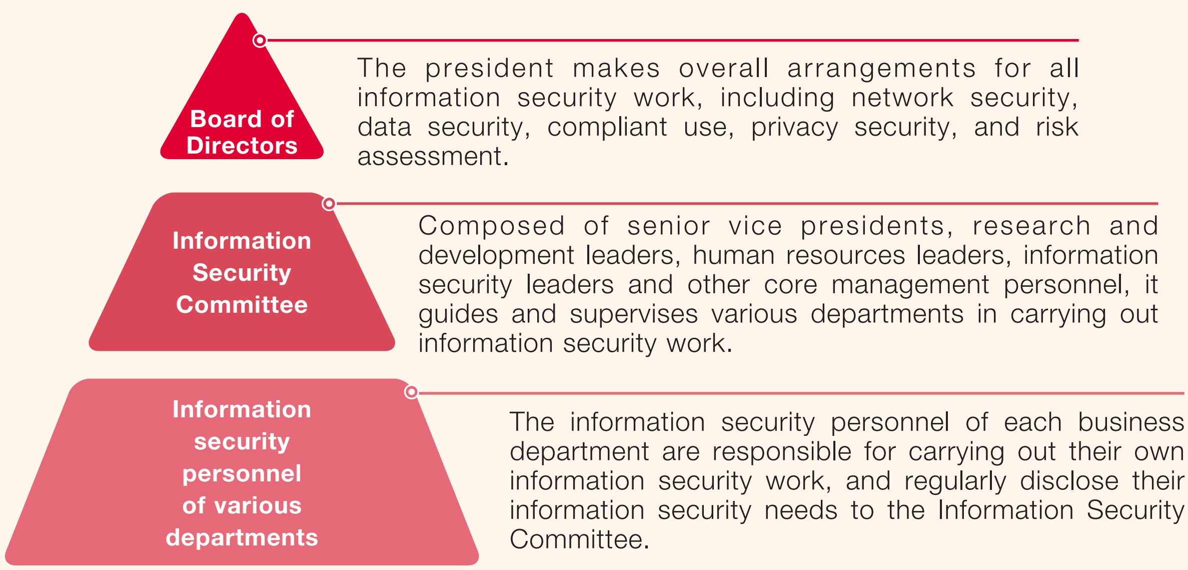
DATA SECURITY

Tuhu regards data security and privacy protection as the cornerstone of business development, and particularly gives top priority to data security. We are committed to providing customers with consistent, safe, reliable and compliant services.

Network Security

With the popularization of the Internet and the large-scale application of data, the problem of network security has become increasingly prominent worldwide. In network security, we mainly face challenges in three aspects, i.e., information leakage[2], information tampering[3], and information loss[4].

In response to the above challenges, we strictly follow related laws and regulations of network security, such as the *Cybersecurity Law of the People's Republic of China*, the *Regulations on Technical Measures for Cybersecurity*, and the *Provisions on the Management of Automobile Data Security*. We have formulated the Information Security Organization Structure Management Measures, Data Security Management Requirements and other internal data security and privacy protection rules, and established a top-down three-tier information security management structure, to ensure the effectiveness of information security and privacy management. By continuously optimizing data security emergency response procedures, taking network data security protection measures, actively organizing internal training on network security, and building a stable network firewall, we strive to ensure the security, reliability and integrity of data and privacy of internal and external stakeholders.



Three-tier Information Security Management Structure

2 Information leakage refers to unauthorized information access, including malicious behaviors such as data leakage and theft. Information leakage not only leads to leakage of personal privacy, but also causes significant losses to enterprises and government agencies.

3 Information tampering refers to the act of modifying information by hackers or other malicious attackers through illegal means to achieve their improper purposes. Information tampering not only undermines the integrity and reliability of information, but also has a significant impact on the decision-making of enterprises and government agencies.

4 Information loss refers to the failure of recovering or accessing information due to various reasons. Information loss not only affects the business of enterprises and government agencies, but also brings inconvenience to people's life.

Environmental, Social and Governance Report

We have established a sound full-process information security management system, to facilitate the fulfillment of information security protection responsibilities and ensure network information security by taking corresponding technical measures and other necessary means. By taking active and passive measures such as network attack and defense drilling, information security training, and information security emergency planning, we strive to avoid information leakage, tampering and loss, and to minimize the impact of negative network security events.

Network Security Emergency Response

In order to improve the efficiency of handling information security events, to quickly respond to emergency network security events such as network security loopholes and customer privacy leakage, and to minimize the business impact of such events, we have identified and graded the network security events (data security, hacker intrusion, denial of service, and content security), and proposed seven emergency response steps for various network security events.

1 Risk Identification

After receiving a network security event, we preliminarily determine the risk level thereof according to the Information Security Event Grading Standards

2 Response

The Information Security Department establishes an emergency response group for communication and discussion according to the risk level, confirms the event, and develops a preliminary stop-loss plan

3 Loss stop

The stop-loss plan is implemented to stop the loss and prevent the further deterioration of the event

4 Investigation and disposal

Restoring and analyzing the event, the department to which the parties involved belong organizes internal investigation into the source of data and the reasons for leakage, discloses investigation results to the Information Security Committee, and gives disposal opinions and provides consultation channels according to relevant regulations

5 Tracking and reporting

The person in charge of the asset ownership department, the head of the department to which the rule-breaking employee(s) belongs, and the Information Security Committee should separately report to superiors in case of any unlawful act

6 Publicity

The director or immediate supervisor of the parties involved organizes team learning and experience summarization

7 End

The Information Security Department submits an event report to the Information Security Committee, regularly reviews the event, and evaluates improvement strategies

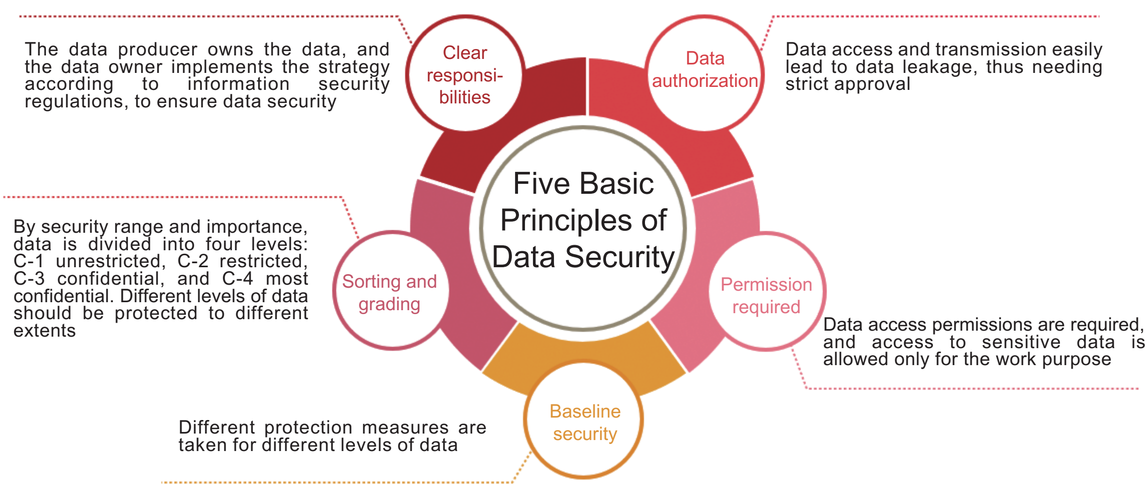
Proactive Defense of Network Security

Tuhu values network security and privacy protection in all aspects of business, which is reflected in every product and service. By taking network security initiatives covering all nodes of the entire lifecycle, we have strengthened protection of information and privacy.

"Panshi Operation" Attack and Defense Drilling

In July 2023, Tuhu as a defender participated in the network security competition ("Panshi Operation" attack and defense drilling) organized by Shanghai Communication Administration and other organizations. The drilling focused on optimizing the network data security and privacy protection model, and protecting our assets and supply chain. During the competition, we banned the use of a total of more than 400 IP addresses, and intercepted 500,000 to 1.5 million attack requests of various kinds every day. We strictly controlled the data risks of receiving and sending emails internally, updated protection strategies, and enhanced data security and privacy protection publicity in a timely manner. Finally, we took the 32nd place among all enterprise competitors, without occurrence of any security event.

In addition, we pay attention to the improvement of employees in cultural literacy and awareness of network security. To address the common legal risks of information security related to phishing, fraud, sensitive information access and transmission, and internal network use, we have proposed five major principles of data security around clear responsibilities, data classification and grading, data authorization, baseline security and work requirements. We regularly assess all employees' security and compliance awareness while organizing the internal and external trainings on privacy protection. During the reporting period, nearly 1,300 employees of Tuhu were assessed, with a first-time pass rate of approximately 88%, a second-time pass rate of 100%.



Five Basic Principles of Data Security

Environmental, Social and Governance Report

Privacy Protection

To provide users with safe and high-quality experience, Tuhu continuously improves the process of collecting and using user information to protect customer privacy and achieve the security, reliability and integrity of personal data to the greatest extent. We strictly abide by the relevant laws and regulations such as the *Personal Information Protection Law of the People's Republic of China*, and attach great importance to the bottom line of data security on the principles of data protection. The Company has made the following commitments:

Third-party data processing

We will not disclose or sell users' personal information for any illegal or unauthorized purposes

Legality and compliance

We collect, process and use user data within the authorized scope, and encrypt user data, strictly following related internal policies

Informing before collecting data

We sign the Privacy Protection Agreement with any registrant of our mobile application. We are authorized to collect, process and use personal information and related data generated during the service process

Minimum storage time

When a user no longer needs our service or notifies us to delete his/her data, we will delete such data

The Principle of Tuhu Privacy Protection Policy

Tuhu has formulated the Data Security Management Regulations and Privacy Protection Policy. Our users can check our policies made public on all relevant service platforms. We have constructed a full lifecycle model to protect the privacy of internal and external stakeholders in all business sectors, and built an information security firewall of full lifecycle from user information collection to the final deletion of information of inactive users. During the reporting period, we did not leak any information of customer privacy.

Environmental, Social and Governance Report

Data collection

Before collection: clarify the source, purpose, method, quantity, accuracy, period, scope and other details of data collection, and take necessary testing and certification measures
In collection: monitor abnormalities of data collection, and record details
After collection: audit data collection information, including but not limited to the time, scope, type, quantity, frequency, direction and level of data collection

Data storage

Storage media: achieve secure data storage through security control, verification, encryption, digital signature and other means
Backup management: increase backup redundancy and frequency of data restoration drilling, and back up total data every week and incremental data every day
Security detection: monitor and warn potential safety hazards in the confidentiality, integrity and availability of data during storage

Data use and processing

Data use authorization and authority management: ensure authorization and verification of confidential data, and periodically check the data of user operation
Technical reinforcement: avoid data storage space overlapping and malicious code detection, and strengthen access control to ensure security of data use and processing
Recording and labeling: record the information of data mining, correlation analysis and other data use behaviors, and show original data and analysis results

Data transmission

Increase relevant security requirements in one-way isolated transmission, data import/export, detection, backup and transmission

Data sharing

Quantify the data content, implement the data security agreement, and take necessary protection measures such as data desensitization, data labeling and data watermarking during the data collection

Data destruction

Set permissions, establish the principle of irrecoverability, complete erasure, reporting update and other requirements to ensure that the storage media is destroyed after the data has been completely deleted

User Privacy Lifecycle Protection Model

SUPPLY CHAIN MANAGEMENT

Tuhu maintains long-term and stable relationships with many suppliers to ensure the market competitiveness and reliability of our supply chain. We place great emphasis on the sustainability of the supply chain, continuously optimize the supplier management system throughout the process from supplier access to exit, carry out various communication activities with our suppliers, and continuously incorporate the philosophy of sustainability into full lifecycle supplier management, to ensure the high-quality and stable development of the supply chain.

Full Process Management of Key Suppliers

In strict accordance with relevant laws and regulations such as the *Tendering and Bidding Law of the People's Republic of China*, we have formulated the Price Comparison (Tendering) Process and Management System for Annual Procurement of Suppliers and other rules according to our actual operation conditions to regulate the supplier management and improve the control mechanism for supplier selection, access, evaluation, etc. We select and evaluate appropriate suppliers according to several standards and their ESG performance and many other indicators, including but not limited to, environment, information security, quality assurance qualification, reputation, past performance, price, quality, and timeliness and accuracy of delivery.

Gathering of supplier information

- Supplier information is gathered mainly through invited collection, internal recommendation, external recommendation, self recommendation of suppliers, etc

Initial assessment of suppliers

- Evaluate the supplier's qualification, reputation, past performance, prices, quality, and timeliness and accuracy of delivery

Supplier access review

- By deepening supplier qualification pre-review, field investigation, sample inspection and so on, choose and include qualified suppliers into the supplier database to control potential supply risks

Tuhu evaluates the suppliers' performance according to their current conditions and corresponding cooperation situations every year to ensure the supply quality, professionalism, consistency and matching degree. We conduct hierarchical management of suppliers and adjust cooperation levels according to evaluation results, to continuously optimize the supplier structure. We will terminate cooperation with the suppliers with an annual rating of D or worse, to ensure high quality of supply.

Environmental, Social and Governance Report

Business evaluation

Before entering into a cooperation contract with a supplier, we will organize business evaluation to understand its business scale, financial conditions, and investment and development plans

Quality evaluation

We check the supplier's production facilities on site when necessary, or monitor the production process online, and inspect products to be delivered and warehoused to ensure quality

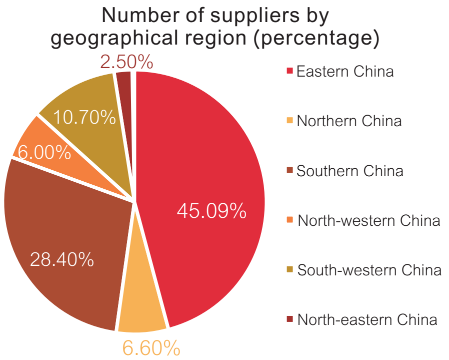
Qualification evaluation

The Legal Affairs Department reviews the supplier's qualifications again by checking the copies of its business license, legal person's corporate identity card and other materials, to verify if there exist any legal risks

Responsible procurement and supply chain management are crucial for us to ensure reliable product quality and sustainable supply chain. We prefer the suppliers with good ESG performance, and encourage them to use renewable energy and low-energy environmental protection facilities, emphasizing the development of green, low-carbon and energy-saving technologies. We manage and evaluate our suppliers according to their ESG performance, mainly including the performance in fulfillment of social responsibility and environmental responsibility.

We require our suppliers to follow business ethics requirements and adopt zero tolerance for any illegal and rule-breaking behavior of procurement and supply. Once having such behaviors, the supplier will be deprived of qualification and blacklisted. Also, we require our suppliers to establish a sense of integrity and self-discipline and enter into the Integrity Agreement. We have clarified the integrity requirements for supplier procurement management and the bottom line of business ethics, to maintain our business ecosystem of integrity and honesty. During the reporting period, we signed the Integrity Agreement with all our suppliers.

During the reporting period, we had a total number of more than 4,500 suppliers, with the distribution by region as the right chart:



Communication with Suppliers

We look forward to establishing and maintaining good partnerships with more excellent suppliers. We will deepen cooperation with excellent suppliers amid active communication, encouraging a wider range of market participation and cooperation. We endeavor to achieve progress together with our suppliers.

Supporting Domestic Tire Brands

On August 28, 2020, Shuangqian Group and Tuhu held the strategic cooperation signing ceremony themed by "New Domestic Products and New Leaps" in Wuhu. Both sides intended to deepen strategic cooperation in product research and development, sales modes, offline experience and other aspects, aiming to enable consumers to buy better products and services at ease, while highlighting the potential of "Chinese smart manufacturing" based on quality. In addition, we have established a long-term strategic partnership with Dongfeng Tire, becoming its sole seller designated by it.

Environmental, Social and Governance Report

Symposiums on Suppliers

Through regular symposiums, we maintain smooth communication with our suppliers, and keep abreast of the latest industry development, jointly exploring the path of development. By fully integrating resources, including our own data resources and platform resources and also our suppliers' product resources, we have achieved a 1+1>2 effect.

Tuhu has signed a Strategic Cooperation Memorandum with Chevron, one of the world-leading integrated energy companies. Based on the principles of complementing each other's advantages complementary advantages and deepening win-win cooperation, both sides will further deepen strategic cooperation in branding, product promotion, product customization and so on, and establish a more comprehensive, close, and pragmatic high-quality partnership.

Jointly Developing Green Products

Tuhu prioritizes the design and procurement of green and environmentally friendly products. Through constant cooperation with suppliers, we have launched some balanced environmentally friendly and energy-saving tires and zero-carbon fuels. We never stop the pace of exploring the path of green supply chain.

Environmental, Social and Governance Report

PEOPLE ORIENTED

We strictly comply with relevant laws and regulations such as the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Social Insurance Law of the People's Republic of China*, the *Law of the People's Republic of China on the Protection of Rights and Interests of Women* and the *Special Provisions on Labor Protection of Female Employees*. We effectively safeguard the legitimate rights and interests of employees, and explicitly prohibit the employment of child labor and forced labor. To ensure the standardization and systematicity of employee management, we have formulated a series of internal rules and regulations, and realized standardized management in various aspects such as employee recruitment, compensation and benefits, performance evaluation and promotion by taking specific measures described later.

Employee Rights and Interests

On the principles of respecting knowledge and talents and upholding fairness and impartiality, we have formulated the Code of Conduct for Employees, the Employee Handbook and other policies for safeguarding employees' rights and interests. These policies and rules apply to our formal employees and interns, as well as labor dispatch personnel and other personnel working in the Company. In the Employee Handbook, we explicitly prohibit the behaviors of discrimination, harassment, coercion and so forth, striving to create a good working environment and build a platform for self-improvement. We firmly believe that all employees have the right to uphold and promote a corporate culture of mutual respect, free from harassment, coercion and prejudice. During the reporting period, we did not find any event related to child labor, forced labor, employment discrimination, gender discrimination, workplace violence, etc.

We strictly prohibit any form of illegal employment. According to the requirements of international organizations such as the International Labor Organization (ILO) and the Organization for Economic Cooperation and Development (OECD), and also the relevant regulations of business locations, we have made clear the requirements of prohibiting the employment of child labor, involuntary labor and forced labor in the Employee Handbook. We have taken a series of professional and rigorous measures for recruitment and induction. We will verify the age of any new employee to ensure that they meet age requirements.

Details of our employees during the reporting period are shown in the table below:

Indicator	Unit	2023
Number of Employees		
Employees of Mainland China	Person	4,163
Employees from Hong Kong, Macao and Taiwan of China, and overseas	Person	0
Male	Person	2,721
Female	Person	1,442
By age		
Employees aged below 30	Person	1,622
Employees aged 30-50	Person	2,517
Employees aged above 50	Person	16
By level		
Top-level management	Person	14
Mid-level management	Person	133
Junior management	Person	374
Ordinary employees	Person	3,609

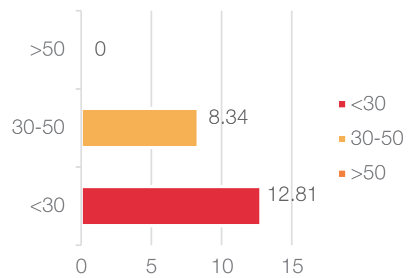
Number of employees on board as at 31 December

Environmental, Social and Governance Report

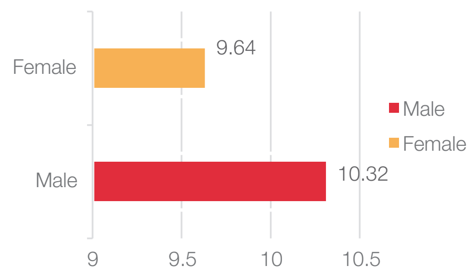
Details of our employee turnover rate during the reporting period are shown in the table below:

Indicator	Unit	2023
Total employee turnover rate	%	**10.39%**

Employee turnover rate by age
(%)



Employee turnover rate by gender
(%)



Talent Attraction

We always adhere to the basic principle of person-post matching to screen out and hire most appropriate employees according to our needs. We treat all applicants equally regardless of their race, nationality, ethnicity, gender, age, or religious beliefs, that is, we select talents on the principles of fairness and justice, ensuring that they have equal employment opportunities and development space.

Campus recruitment

During the reporting period, Tuhu gave special presentations in Shanghai Jiao Tong University, Jilin University and East China University of Science and Technology, each of which attracted more than 80 participants who were enthusiastic and gave positive feedback.

Social recruitment

Tuhu and external suppliers jointly seek cutting-edge talents. With an open mind, we welcome all ambitious talents to join.

Internal job transfer

Through internal job transfer, we aim to ensure that our employees can serve different departments in an orderly and efficient manner, while meeting the development needs of both the Company and the employees. During the reporting period, a total of 46 employees experienced internal job transfer.

Environmental, Social and Governance Report

Benefiting Blue-collar Employees

In 2018, Tuhu initiated university-industry cooperation, bringing employment opportunities for blue collar professionals. Over the past five years, to meet the talent development needs, Tuhu has established a university-industry cooperation center and an automotive aftermarket industry-education integration base, thus further deepening the cooperation with universities. As of the end of the reporting period, Tuhu had established strategic partnerships with over 140 higher vocational colleges and application-oriented universities in various provinces and cities of China, and built nine industry-education integration bases. Besides that, Tuhu also offered jobs to a total of about 50,000 people cumulatively through Tuhu workshops.

Base marketization	Tuhu fully participates in the planning and operation of the base, promoting the market-oriented operation of the base
Base multi-functionalization	The base is open to the outside, and undertakes the tasks of training and teaching, apprentice rotation, internship, targeted employment, and entrepreneurship incubation
Marketization of talent cultivation	Tuhu fully participates in the training system improvement, teaching supervision, and practical training and internship, assisting students in finding jobs and starting up business
Building a team of double-professionally-titled teachers	Tuhu regularly organizes "Teacher Skills Enhancement Training", updates the knowledge base for teachers, and organizes them to practice in the Tuhu workshops

Industry-education Integration Training Base of Tuhu

During the reporting period, Tuhu distributed subsidies of over RMB **680,000** to **164** certified employees in warehousing and logistics

We help blue-collar employees to master mechanic skills quickly, encouraging frontline employees to obtain vocational and technical certifications. We have done a lot of work in this respect. For example, a subsidy of special forklift certifications for frontline workers in warehousing and logistics has been specially designed. During the reporting period, Tuhu distributed subsidies of over RMB680,000 to 164 certified employees.[5]

[5] If the working duration of the current month is less than one month, the subsidy will be discounted at a specific ratio.

Environmental, Social and Governance Report

Technician Cultivation and Development System

We sincerely welcome and treat technical workers well, providing them with complete learning and certification channels. We provide new technicians with the online induction training on industry knowledge including the introduction to the automotive aftermarket, basic knowledge and maintenance concepts. Employees are empowered through our official skills certification system after joining the company. After employees become senior technicians, we will provide them with various development paths, including technical supervisors, special-grade senior technicians and technical experts (technical path), store managers and regional managers (management path), and franchisees (business path).

Technician Cultivation and Development System of Tuhu

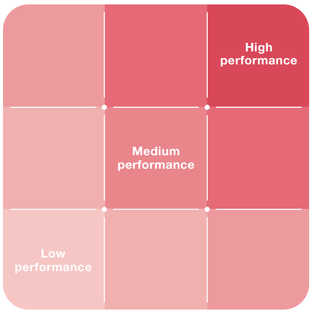
Environmental, Social and Governance Report

EMPLOYEE DEVELOPMENT

Always adhering to the people-oriented concept, we have established a system of talent review, ability training and employee communication to boost employees' growth and development, which is deemed as the core driving force for sustainable development of the Company. We understand that investing in the knowledge and skills of our employees is not only responsible for their careers, but also a long-term investment in the future competitiveness of our organization.

Talent Development System

Being goal-oriented, Tuhu has established a systematic and efficient performance management system, namely Tuhu Talent Review System for all formal employees. This system includes the modules of performance management, potential assessment and Organize Talent Review (OTR). The ability and potential of each employee can be identified through OTR. We are fully aware that talent review is not only vital for motivating employees and improving their work efficiency, but also is an important guarantee for achieving strategic goals and sustainable development of the Company.



OTR

As shown on the horizontal axis of OTR, we evaluate the performance level of employees annually according to the following assessment criteria, and give them the deserved rewards and compensation. We ensure that all employees at any post can get the deserved rewards.

All-staff assessment items

- KPI Completion
- Corporate Values

Middle-level and top-level management

- Management ability

Junior management and individual contributors

- Work quality and effectiveness

Environmental, Social and Governance Report

As shown on the vertical axis of OTR, we evaluate the development potential of employees from the following 12 dimensions. On the basis of comprehensively considering the growth of employees and their fitness for posts as well as past performance, we make a reasonable talent development plan. We are committed to promoting the benign growth of talents, and cultivating more outstanding talents with high potential and high performance.

Tenacity
Be able to overcome external and personal difficulties and complete tasks under extremely difficult or unfavorable conditions.

Thinking ability
Be able to carry out a series of cognitive activities such as problem analysis, sorting, reasoning and judging.

Customer service
Have the desire to help and serve customers and meet their needs.

Interpersonal understanding
Be willing to understand others and be able to accurately identify their characteristics and understand their thoughts, emotions and concerns that are not expressed clearly.

Teamwork
Be willing to complete tasks in collaboration with other group members, instead of working alone or in a competitive manner.

Information collection
Have a strong curiosity about things, strive to obtain more information about related things and people to gain a deeper understanding.

Learning ability
Actively acquire the information and knowledge related to work, and process and understand the obtained information, so as to continuously update the knowledge structure and improve work skills.

Relationship establishment
Strive to establish friendly, reciprocal and even very intimate relationships with those who are helpful to our own work or will be useful to us in the future.

Achievement oriented
Have a desire to successfully complete tasks or pursue excellence in work.

Proactivity
Be willing to work hard, be good at discovering and creating new opportunities, be able to predict the occurrence of events in advance, and be capable to take planned actions to improve work performance, avoid problems or create new opportunities.

Influence
Have the ability to persuade or urge others through various means to support or adopt our own views (individuals and the overall organization can be influenced).

Creativity
Be able to think about problems from an open and creative perspective, correlate unrelated concepts, and add value through creativity.

12 dimensions of Tuhu employees' development potential

Channels of Communication with Employees

We advocate democratic communication with employees, attentively listen to every employee's voice, and actively adopt reasonable feedback and opinions from employees. Valuing corporate values, we have opened diverse channels for communication and exchange with employees. We frequently exchange corporate cultural values from multiple dimensions through many means such as regular strategic communication meetings and satisfaction surveys.

Environmental, Social and Governance Report

Employee Satisfaction Surveys

During the reporting period, we collected feedback from employees on the Company's organizational capability and satisfaction through questionnaires. All non-store employees or warehousing logistics employees having worked for at least two months took part in the surveys. More than 82% of the employees gave effective feedback within four days.

Strategic Communication Meeting

In order to establish effective channels for information exchange and transmit key organizational information, we organized a strategic communication meeting themed by "Broader Room for Development" during the reporting period. All middle-level management and senior management of the Company attended the meeting. In front of 149 employees, the management shared insights on eight key topics, and fully summarized the strategic execution in 2023, disclosing the strategic plan for the future. After the meeting, attendees participated in activities of team building.

Site of Strategic Communication Meeting

Training System

We have made a systematic, scientific, and forward-looking employee training plan to continuously improve the professional competence and comprehensive ability of employees, so as to advance continuous innovation and development of the Company, achieving a win-win situation of economic and social benefits. By providing two employee ability development modes and three types of cultivation plans, we are committed to building a learning-oriented organization by improving employees' abilities and promoting their career growth. By accumulating knowledge resources, we devote to cultivating professionals and management talents to boost the Company's sustainable development.

Leadership development and management ability cultivation

Designed courses: management practice, management tool training, and practical drills
Special training programs: training camps, personal training workshops

Professional competency cultivation

We provide different professional competence training courses based on different business units, such as business, operation, R&D, products, customers and procurement and more. These courses are available to all functional departments of the Company.

Competency Cultivation Mode

Environmental, Social and Governance Report

Training infrastructure construction

We have built a team of internal trainers, a shared course library, basic skills system, standardized training process, and learning and development platform. The well-designed system and management process provide employees a free and convenient access to training support.

Cultivation of new employees

For managers on their probation and the employees hired through social recruitment and campus recruitment, we provide training programs such as New Starting Point, New Power and New Tiger Show. In addition, we provide mid-level and top-level management with enhancement training, and offering targeted assistance for employees at different stages.

General ability cultivation

We attach great importance to general ability cultivation of our employees and help employees to achieve enhancement in career development, career skills, communication and collaboration, and professional proficiency, so as to further improve their overall qualities.

Growth Training Plan

Details of training for employees in 2023 are as follows:

Indicators	Unit	Value
Training and development		
Total number of full-time employees trained	Person	3,007
Total hours of training	Hour	50,370.17
Proportion of trained employees	%	66.09%[6]
Total number of hours of training per employee	Hour	12.10
Percentage of training by gender		
Male	%	65.58%
Female	%	34.42%
Percentage of training by rank		
Top-level management	%	0.37%
Mid-level management	%	4.29%
Junior management	%	9.51%
Ordinary employees	%	85.83%
Average number of hours of training by gender		
Male	Hour	16.99
Female	Hour	16.30

6 This proportion is nothing related to technicians, store managers, account managers, and franchisees.

Environmental, Social and Governance Report

Indicators	Unit	Value
Average number of hours of training by rank		
Top-level management	Hour	7.25
Mid-level management	Hour	12.85
Junior management	Hour	15.15
Ordinary employees	Hour	17.16

Training Programs

New Elite Training Camp

Hybrid (online and offline) training, benefited a total of 30 trainees, with a cumulative offline training duration of 24 hours and a satisfaction of 4.84/5 scores

Arbor Program – Leadership Training Camp

Hybrid (online and offline) training, benefited a total of 36 trainees, with a cumulative offline training duration of 24 hours and a satisfaction of 4.76/5 scores

Training Program for Internship Managers

Hybrid (online and offline) training, benefited a total of 283 trainees, with a total training duration of four months (including three months of theoretical training+practical exercises, and one month of project acceptance). The acceptance pass rate rose from 48% in 2022 to 72.79% in 2023

CARE FOR EMPLOYEES

We are committed to creating a comfortable and harmonious workplace and establishing good work relationships. We actively safeguard the rights and interests of employees and offer competitive compensation packages that align with their abilities and market standards.

Compensation and Benefits

Based on the compensation management principles of strategic matching, market orientation and performance orientation, our remuneration system mainly consists of five parts. The long-term incentives, as part of the compensation for employees of certain ranks or above, are awarded to the employees with high performance, high potential and high stability annually according to review results. This initiative is taken to inspire their enthusiasm of cooperation, diligence, innovation and dedication. We resolutely respect and reward the efforts made by every employee.

Composition of Remuneration Structure

In addition to remuneration, non-remuneration benefits are also available to employees, which reflect our humanistic care, mainly consisting of four parts. Specifically, there are "Growth Tiger" benefits mainly for industry trainings such as new employee training, specialized training, general training and management training, "Entertainment Tiger" benefits mainly for cultural and entertainment activities such as anniversary greetings, holiday care and group activities, "Life Tiger" benefits mainly for life related activities such as providing staff meals, corporate vehicles, leisure areas and shower rooms, and "Health Tiger" benefits mainly for medical insurance activities such as annual physical examination, physical examinations of employees' relatives, and commercial insurance.

Non-remuneration Benefits System

Tuhu always presents benefits and care to employees in a timely manner. Every year, we organize free physical examinations for our employees. During holidays and summer, we distribute gifts and benefits of various kinds to employees at all levels, to make them feel the warmth and care of the Company. These offerings not only meet their daily needs, but also show our appreciation and encouragement for their hard work. Through these initiatives, we hope to further enhance their sense of belonging and cohesion, so as to jointly promote the development and growth of the Company.

Environmental, Social and Governance Report

Summer benefits

- In June 2023, the Company distributed a total of 3,685 gift packages to outdoor employees working in hot summer, showing our care and compliments to them

New Year greetings

- To welcome the new year of 2023, we specially prepared three kinds of gifts for our employees, including waist bags, repair sets and other fine utility items for warehousing and logistics technicians, special gift packages for offline supervisors, and exquisite gift packages for other employees. A total of 8,200 gift packages were distributed

Care of female employees

- We have a baby care room with a breastfeeding area that can accommodate four people simultaneously, where there are four sets of comfortable tables and chairs. The waiting/rest area thereof can accommodate at least five people at the same time. In addition, there are two refrigerators, water facilities containing water heaters, large storage cabinets, full-length mirrors, etc. All these greatly facilitate the life of pregnant employees
- On March 8th, we presented an exclusive preserved fresh flower to every female colleague, sending warm wishes to them

Employee Club

The Employee Club organizes badminton and basketball activities 1-2 times a week. Every year, the Company organizes 1-2 competitive events, such as badminton competition and tug-of-war competition. More than 2,000 person-times participated throughout the year.

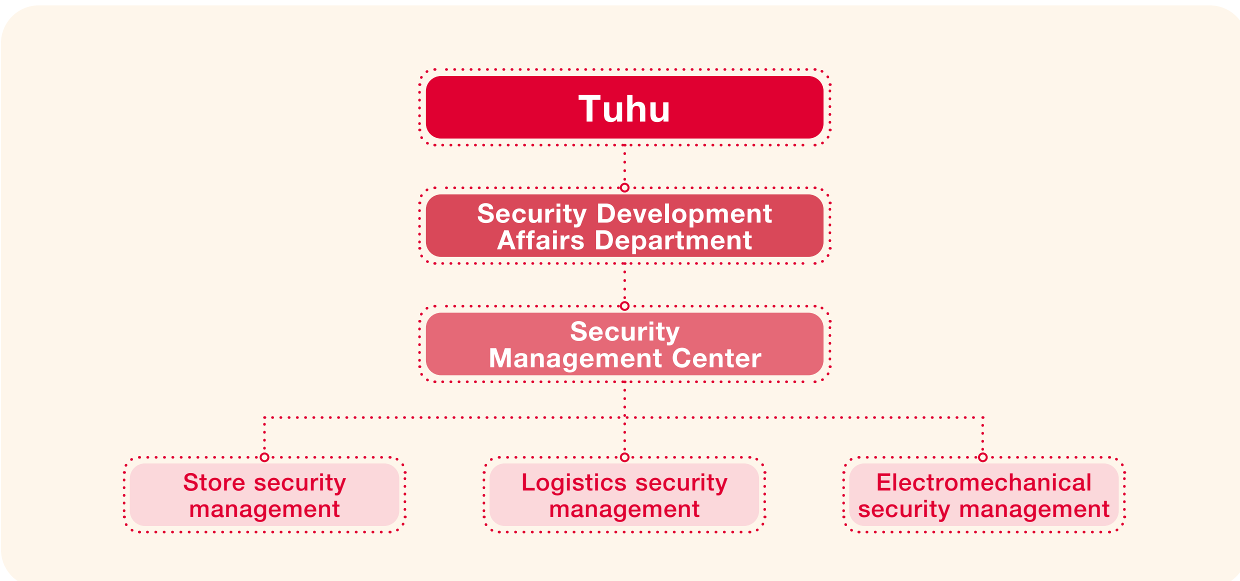
In April, 16 teams took part in the second badminton competition themed by "Badminton Together". Finally, the R&D Department won the mixed doubles championship, and the Platform Product Operation Department won the men's singles championship.

In May, 15 teams from various departments of the Company presented a wonderful tug-of-war competition. The Data and Analysis Center, the Integrated Maintenance Business Department, and the R&D Department respectively took the first, second and third places.

Environmental, Social and Governance Report

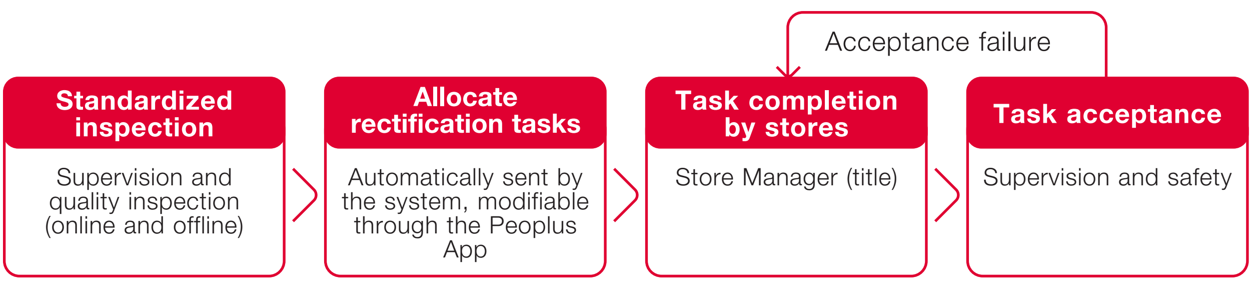
Health and Safety Management

Always adhering to relevant existing laws and regulations, we are committed to establishing an excellent EHS management system to ensure that every employee can work in a safe and healthy environment. Every year, we organize physical examinations for all employees. In accordance with the Occupational Health and Safety Management Systems-Requirements with Guidance for Use (GB/T 45001), we have established our own occupational health and safety management system. During the reporting period, we conducted the EHS control from the business perspective. A total of 28 safety systems have been established, including management systems, emergency plans, operating procedures, and safety records.



EHS Management System of Tuhu

The Safety Management Center has three safety management groups for stores, logistics and electromechanical services respectively. The groups are composed of professionals holding registered national safety engineer certificates, which regularly or irregularly conduct online safety supervision and on-site inspection to check the Tuhu workshops' compliance with safety operation standards and emergency response capabilities. When carrying out the standardization inspection, the supervision team will form a rectification task for the detected problems according to the three risk levels, then inform corresponding store managers through the Peoplus App. Stores are required to complete the rectification task within a specified period. The rectification is deemed to come to an end when the safety level requirements are met.



Supervision Process

Environmental, Social and Governance Report

Thanks to comprehensive health and safety measures and strict implementation, we experienced neither major violations nor penalties related to health, safety or environment during the reporting period. Tuhu always puts the health and safety of employees in the first place, and has taken effective measures to enhance their safety. For example, we have prepared the safety management manual for guiding safe business operations, including handling, storage, transportation, recycling, or disposal of various new and old products and wastes. During the reporting period, all regular employees of Tuhu lost 526 days of work due to occupational injuries[7]. Over the past three years, two incidents involving employees occurred. We will further strengthen safety training, health publicity and provide support to employees to ensure they enjoy a safe and healthy working environment at Tuhu.

Specific Measures on Fire Safety Training

During the reporting period, we organized diversified safety trainings across China, including fire safety training, emergency response training, etc. In cooperation with fire rescue units in Xi'an, Fuzhou and other places, we organized a series of fire escape drills and safety production training. The participants included the personnel directly related to business, such as business area supervisors, Tuhu workshop managers and safety officers. The training contents included fire emergency knowledge, fire hazard prevention and investigation, use of fire-fighting equipment, and internal affairs management.

Fire Drills in Xi'an and Fuzhou

During the reporting period, we organized a series of fire rescue drills and trainings in Xi'an, Zhengzhou, Dongguan, Guangzhou and Shanghai, with a total of more than 400 participants.

7 In 2023 and 2022, no incident occurred to employees; in 2021, two employees passed not related to safety production or work related reasons.

GREEN DEVELOPMENT

In view of increasingly serious environmental crisis, the international community has reached a consensus on addressing climate change and practicing green development, which have become a trend. As a leading enterprise in the automotive service industry, Tuhu regards green and low-carbon transformation as an important development strategy. Actively assuming social responsibility, we continuously deal with environmental issues in energy use, resource utilization and emission management, to minimize the negative impact on the environment. Meanwhile, we strengthen identification of risks related to climate change, and actively respond to climate change risks. We are committed to propelling the green development of the entire industry, delivering green services to our customers, and contributing to early realization of carbon neutrality goals.

Tackling Climate Change

Always following the path of green and low-carbon development, Tuhu is vigorously promoting the economic growth without pollution to the environment. During the reporting period, we continuously improved our internal management policies, regulated GHG emissions, and further identified climate-related risks and opportunities, proposing corresponding countermeasures.

Identifying Climate-related Risks

Due to increasingly serious climate change worldwide, we need to actively tackle climate change, which is vital for our positive development. Tuhu actively addresses climate change. Under the framework of the Task Force on Climate-related Financial Disclosures (TCFD), we have systematically identified climate-related risks and opportunities and proposed corresponding countermeasures.

Governance

To effectively address the climate-related risks and opportunities, we have established a sound climate change governance system. For the purpose of more effective governance, the Board also needs to assess and deal with major ESG issues. Specifically, our directors and senior executives need to take joint and overall responsibilities for our climate change strategy, guide the ESG Committee to identify, evaluate and control the major ESG issues and climate-related risks, and develop appropriate and effective climate-related risk control and internal control rules. In addition, it is necessary to guide the development of climate change strategies and management policies and monitor the identification of climate-related risks and opportunities. In terms of management, senior management coordinate the work of various departments, review and implement our ESG strategy, and timely report ESG related performance to the directors.

Strategy

A sound risk identification process is essential for accurately assessing the climate-related risks and opportunities identified in the operation process. By identifying, evaluating and tracking the risks and opportunities, we have identified multiple physical risks and transition risks according to different climate change scenarios and operation characteristics, and further analysed corresponding business impacts.

We have taken countermeasures to address the identified climate-related risks and opportunities. Meanwhile, we actively implement the extreme weather response plan to ensure smooth business operations, and promote green transformation from different dimensions to better tackle climate change.

Environmental, Social and Governance Report

Identifying Climate Change Risks

Risk category		Risk name	Risk description	Countermeasures
Physical risks	Acute risks	Severity and frequency of extreme weather events (such as typhoons and floods) increase.	Rainstorms and floods have a significant impact on the offline operation of the Company, and negative impacts include revenue decrease, damage to assets, threats to personnel safety, etc. In addition, rainstorms and floods might interrupt logistics transportation, and seriously affect our delivery timeliness.	We have formulated the Abnormal Weather Safety Guidelines to guide employees to deal with extreme weather events, so as to minimize the threats to assets and personnel safety. In addition, we take emergency measures to improve the efficiency of logistics transportation in extreme weather conditions.
	Chronic risks	The impacts from changes in the temperature and rainfall	Changes in the temperature and rainfall, to certain extent, will affect vehicle conditions and also offline operations. Slow changes in the temperature and rainfall may undermine the commuting and working conditions of business locations and raw material supply areas and increase labor costs.	According to climate prediction and broadcasting results, and weather changes, we adjust allocation of offline personnel, employee commuting policies, and logistics emergency measures in a timely manner.
Transition risks	Market	Changes in client behaviors	Our clients have put forward requirements for reducing carbon emissions. If we cannot meet their energy-saving and carbon-reducing requirements, we will suffer losses of revenue.	We have launched some green and environmentally friendly products by discussing and solving carbon footprint issues with relevant research institutions.
	Reputation	Change of customer preferences	Our clients have put forward requirements for reducing carbon emissions. If we cannot meet their energy-saving and carbon-reducing requirements, we will suffer losses of revenue.	Furthermore, we have made great efforts to promote green logistics, including use of NEVs for transportation, and reuse of logistics packages, to reduce our carbon emissions.

Identifying Climate Change Opportunities

Energy sources	Green electricity use planning
• Tuhu is planning to replace municipal electricity with green electricity by building photovoltaic facilities	

Resource utilization efficiency	Green office and reuse of logistics packages
• We continuously improve resource utilization efficiency through reuse of packaging materials, and advocate green office to save energy, water and paper in the working process	

Products and services	Joint development of zero-carbon products
• Tuhu, in cooperation with partners, has developed some zero-carbon green products, bringing clients with more environmentally friendly choices	

Market	Climate change affecting clients' choices
• We have taken energy-saving and emission-reducing measures in the operation process, and also raised green and low-carbon development requirements for our suppliers. With the development of the NEV market, we now can provide the necessary auto maintenance and repair services for NEVs	

Goals and indicators

Tuhu is committed to achieving sustainable operation. To achieve green development, we have set environmental goals and corresponding key performance indicators to track and evaluate the progress in this regard.

Greenhouse gas emission reduction goals

- We will strengthen greenhouse gas emission management, actively carry out various work of greenhouse gas emission reduction, and strive to reduce carbon emission intensity year by year

Waste reduction goals

- We will strengthen the management of waste emissions, ensure compliant disposal of waste, and take various measures for reducing waste generation, striving to reduce the intensity of waste emissions

Environmental, Social and Governance Report

Electricity utilization goals

- As planned, each of our self-operated Tuhu workshops will reduce the annual average electricity consumption by over 20% in the next three years

Water consumption goals

- As planned, each of our self-operated Tuhu workshops will reduce the annual average water consumption by over 20% in the next three years

To achieve our goals of electricity and water consumption, we continuously optimize the design of Tuhu workshops and apply innovative technologies and systems to improve energy efficiency. Meanwhile, we supervise and control the use of clean water for cars, and have carried out a series of publicity activities to enhance employees' environmental awareness.

Environmental key performance indicators

Indicator	Unit	2023[8]
Total comprehensive energy consumption	MWh	9,540.27
Total direct energy consumption	MWh	41.06
Total indirect energy consumption	MWh	9,499.21
Energy consumption per unit of revenue	MWh/RMB 1 million	0.70
Total GHG emissions (Scope I & Scope II)	tonne CO_2 eq.	5,427.83
Direct GHG emissions (Scope I)	tonne CO_2 eq.	10.43
Indirect GHG emissions (Scope II)	tonne CO_2 eq.	5,417.40
GHG emissions per unit of revenue	tonne CO_2 eq./RMB 1 million	0.40

Green Operation

Advocating the concept of green operation, we continuously strengthen environmental management amid business development. We are committed to providing clients with green and sustainable automotive services, while achieving our environmental goals on the basis of minimizing the environmental impact of business operation.

8 The environmental data includes relevant data of headquarters office buildings, self-owned warehouses, and self-operated workshops.

Environmental, Social and Governance Report

Energy Management

As a responsible enterprise, Tuhu always values the impact of business operation on the environment. We strictly abide by relevant laws and regulations such as the *Environmental Protection Law of the People's Republic of China* and the *Environmental Impact Assessment Law of the People's Republic of China*. Also, we have formulated the Environmental Protection Management Rules to control the environmental impact from business operation. We regularly check environmental protection situation of each store according to the Store Standards and Rules, and require and urge each stamping injection Tuhu workshop to obtain environmental impact assessment qualifications. During the reporting period, we, as a leading enterprise in the automotive service industry, continued to strengthen environmental management and energy management, and carried out various work of energy saving and emission reduction to have a positive impact on the environment, while actively promoting the green development of the automobile industry.

Energy Saving Measures

In order to achieve the goals of energy conservation and carbon reduction, we have improved energy efficiency by optimizing the design of Tuhu workshops and applied innovative technologies and systems, and avoided meaningless electricity consumption in offline stores during off-duty hours through monitoring systems. In addition, we strictly control energy consumption of the headquarters building to avoid unnecessary energy consumption.

Energy-saving Management of the Headquarters Building

Tuhu organizes regular patrols in the headquarters building at night, to turn off the lights in unmanned meeting rooms and working areas. In the headquarters building, the windows, the fresh air system and the air conditioning system are adjusted strictly according to the changes in temperature (outdoor+indoor). The air conditioners may be turned on/off in different areas, as the temperature of an area may vary at different time intervals. In this way, we can better adjust indoor temperature and achieve energy conservation. Specifically, we paste energy-saving labels at the conspicuous positions of electrical switches to remind employees to work in a green manner.

Temperature Regulation Rules and Energy-saving Labels for Air Conditioners in the Headquarters Building

Thermometers for Office Areas

In addition, Tuhu actively plans green transformation and adjusts the energy structure. We have launched pilot projects for new energy trucks in four cities (Zhengzhou, Xi'an, Wuhan and Kunming), to promote the sustainable development of logistics industry.

Environmental, Social and Governance Report

Pilot Distribution Through NEVs

New Energy Trucks

In order to achieve energy conservation and emission reduction and assist logistics suppliers in reducing costs and burdens, Tuhu plans to use new NEVs for distribution. In March 2023, we and our logistics suppliers jointly made a promotion plan according to calculating results. Our management group, in conjunction with the suppliers, introduced NEVs for distribution in Zhengzhou, Xi'an, Wuhan and Kunming. We completed the replacement with NEVs for 20 distribution lines, including all lines in Xi'an and Wuhan, and some lines in Zhengzhou and Kunming. NEVs are mainly used for distribution from the original warehouses to the stores. NEVs have the advantages of reducing vehicle maintenance costs and fuel costs, so it is estimated that transportation costs of approximately RMB 121,000 can be reduced per year.

Resource Use Management

In light of limited natural resources, we minimize the use of resources in the operation process as much as possible. Relying on our own technical advantages, we have achieved "reduction and recycling" of waste power batteries. Also, we have put forward strict requirements for packaging material resource management. We enhance the recycling of packaging materials to achieve sustainable development.

Water Resource Management

We standardize water resource management in strict accordance with the applicable laws and regulations of business locations and also relevant compliance requirements. We continuously monitor and control the water consumption required for car cleaning. All stores with the car washing service are required to set up corresponding sewage treatment facilities including tertiary sedimentation tanks in accordance with local environmental compliance requirements. Through the store supervision and inspection plan, we ensure the effective operation of water use/saving equipment and sewage treatment equipment in the stores. In addition, we have launched the pilot water-saving project in some stores, to achieve the reuse of recycled water from car washing wastewater and improve the water recycling rate.

Packaging Material Management

Due to the involvement of logistics business, Tuhu lays emphasis on packaging material management. Through in-depth cooperation with our suppliers, we have simplified the packaging design. In the Process of Delivery after Transfer of Goods from the Maintenance Warehouse and the Packaging Specification for Maintenance Warehouse Products, we have explicitly stipulated the recycling of forward and reverse packaging materials. We have improved resource utilization efficiency and reduced resource waste.

Environmental, Social and Governance Report

Recycling of Packaging Materials

For the orders placed by stores, large warehouses of our Logistics Department package the goods with secondary cartons instead of new cartons before distribution, which greatly reduces the use of cartons and saves nearly RMB 1 million of packaging costs annually while achieving environmental protection and emission reduction.

Secondary Utilization of Packaging Materials

Key Performance Indicators of Water and Packaging Material Consumption

Indicator	Unit	Total in 2023[9]
Total water consumption	tonne	116,340.50
Water consumption intensity	tonne/RMB 1 million	8.55
Total paper consumption	tonne	1.35
Paper consumption intensity	Kg/RMB 1 million	0.10
Consumption of packaging materials for finished product logistics	tonne	1614.36

Waste Discharge Management

In consideration of business features, we face challenges in waste disposal. To cope with the challenges, we have put forward strict requirements for the waste discharge. Complying with relevant national laws and regulations, we have established strict waste disposal policies and rules. By actively taking various waste reduction measures, we are committed to achieving the compliant disposal and reduction of emissions.

9 The environmental data includes relevant data of headquarters office buildings, self-owned warehouses, and self-operated Tuhu workshops.

Environmental, Social and Governance Report

Compliant Disposal of Waste

Various car parts discarded in the operation process belong to hazardous waste, which can cause serious environmental pollution in case of improper disposal. Therefore, we always attach great importance to the compliant disposal of related waste. Strictly complying with the *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste* and other relevant laws and regulations, we have formulated the hazardous waste management rules to supervise and realize standardized disposal of hazardous waste in each store.

In order to realize compliant disposal of hazardous waste, Tuhu has gradually developed relevant internal rules and regulations, which apply to the storage, treatment and disposal of unused or discarded automotive parts by stores in the daily operation process. We have developed standardized disposal regulations and procedures for defective or waste oil products, and have formulated the Hazardous Waste Management Rules.

According to hazardous waste management rules and regulations, we strictly control hazardous waste generation from the source. In the Hazardous Waste Management Rules, we explicitly require any stores to sign the Hazardous Waste Treatment Service Contract and pass internal audits before joining us officially. We have included the contents of Hazardous Waste Management Regulations in the Store Operation Standards, put forward requirements for hazardous waste management and established a corresponding punishment mechanism. We have achieved full-process digital monitoring over the generation, collection and transportation of hazardous waste. In addition, we ensure that any store achieves the compliant storage, utilization and disposal of hazardous waste, and prohibit unauthorized dumping or stacking of hazardous waste.

Requirements for Stores in the Hazardous Waste Management Regulations

Requirements for hazardous waste rooms

- The stores need to establish independent or partitioned hazardous waste storage rooms with the functions of resisting wind, rain, sunshine, seepage and corrosion
- The floor of the hazardous waste room must be hardened and corrosion-resistant, without cracks
- In the hazardous waste room, signs for identifying the storage locations of hazardous waste should be posted
- A copy of the Hazardous Waste Management Rules needs to be posted in each hazardous waste room

Requirements for hazardous waste storage

- Waste oil barrels should be placed in containers with leakproof functions to prevent oil leakage
- For waste oil barrels, signs for identifying hazardous waste storage containers need to be posted
- The large barrels for collecting waste oil should be covered with lids after collection each time

Environmental, Social and Governance Report

Requirements for hazardous waste disposal

- The store management plan and transfer plan need to be archived
- The store needs to entrust a qualified organization to transport and dispose of hazardous waste according to the contract signed with it
- It is necessary to create a hazardous waste storage ledger and record the details of of hazardous waste storage truthfully and normatively

Hygienic requirements for hazardous waste rooms

- The floor of hazardous waste room should be free of garbage, water stains and oil stains
- The walls and surroundings of hazardous waste room should be free of spider webs, dust and oil stains
- Oil barrels of hazardous waste room should not be leaked (waste oil), and a large amount of waste oil should not exist inside the oil barrel tray
- Hazardous waste materials in the hazardous waste room should be stacked by category, and marked separately.The transport channel in each stacking room should be kept unobstructed and clean. Hazardous waste should not be mixed with non-hazardous waste for storage

In addition to hazardous waste, general waste is also strictly treated by us. We strictly abide by the *Regulations of Shanghai Municipality on the Administration of Domestic Garbage*, and have established the corresponding punishment mechanism. Advocating paperless office, we equip the printing room with waste paper baskets to recycle waste paper and improve resource utilization efficiency.

Waste Management of the Headquarters Building

Tuhu conscientiously implements the *Regulations of Shanghai Municipality on the Administration of Domestic Garbage*, and strictly classifies waste into dry waste, wet waste, recyclable waste and hazardous waste. We strengthen daily management, and take simple internal "punishment" measures for any behaviors in violation of garbage disposal requirements. The cartons in the office areas are sorted and recycled by cleaners in a centralized manner, and waste paper baskets are placed in the printing area. We advocate double-sided printing to avoid resource waste.

Waste Sorting

Environmental, Social and Governance Report

Waste Reduction

Always adhering to the principle of waste disposal based on "harmlessness and recycling", we actively explore the feasibility of waste recycling according to our own business characteristics, hoping to further improve resource utilization efficiency. During the reporting period, we actively deepened cooperation with qualified third-party disposal companies to achieve effective recycling of waste oil. Making full use of waste oil, we make lubricants, fuels or raw materials for the petroleum industry, thus reducing the impact of waste landfilling on the environment, and achieving the recycling of waste. Meanwhile, we are exploring the feasibility of recycling waste tires, which is one of the major hazardous wastes generated in the operation process, and we are developing relevant plan for the recycling waste tires.

Recycling of Waste Tires

Waste tires belong to toxic and harmful solid waste, and some waste tires are directly burned or buried, thus causing serious environmental damage. Since January 2022, we have partnered with a third-party waste tire recycler to recycle waste tires. Waste tires are delivered to a plant where they are decomposed, processed and converted into materials such as steel wires and rubber. On this basis, steel wires are further recycled by steel manufacturers, while rubber is further processed and changed into new products such as tire derived fuels, which can supplement traditional fuels. In 2023, Tuhu further focused on the recycling of waste tires, and reformulated its policy on the disposal of waste tires. As an industry-leading enterprise, we are committed to promoting effective recycling of waste tires to reduce the environmental impact.

Pilot Program of Digital Hazardous Waste Management

During the reporting period, we collaborated with the Hazardous Waste Management Office of the Solid Waste and Chemicals Management Center of the Ministry of Ecology and Environment and external third-party organizations to construct the pilot work of digital hazardous waste management in some Tuhu workshops of Wuhan. Through sensors, IoT devices and system platforms, we record and transmit the temporary storage information of hazardous waste in real time, and managers are authorized to remotely view related information. In this way, we can dynamically monitor the production and inventory of hazardous waste in stores and give warning in a timely manner, so that the stores can achieve compliant disposal in a timely manner.

Environmental, Social and Governance Report

With the development of the new energy market, we face a major challenge in the disposal of waste power batteries. As a leading enterprise in the automotive service industry, Tuhu has launched the power battery recycling service to reduce waste generation, achieve efficient resource utilization, improve the power battery recycling system, and promote sustainable social development, which is consistent with our Company's business philosophy. As of the end of the reporting period, we cumulatively recovered a total of 20,000 pieces of power batteries.

Key Performance Indicators of Waste

Indicator	Unit	Total in 2023[10]
Total amount of non-hazardous waste	tonne	284.33
Non-hazardous waste emission intensity	tonne/RMB 1 million	0.02
Total amount of hazardous waste	tonne	864.33
Hazardous waste emission intensity	tonne/RMB 1 million	0.06
Total waste emission intensity	tonne/RMB 1 million	0.08

Environmental Protection and Green Awareness Training

While continuously strengthening environmental protection management, we also value the publicity of green development, energy conservation and emission reduction. We are committed to instilling environmental protection concepts among employees and enhancing their environmental awareness. During the reporting period, we actively participated in the training organized by the Xuhui District Environmental Protection Bureau. In addition, we also carry out environmental protection publicity activities in the routine work process.

External Environmental Training

During the reporting period, we invited law enforcement officers from the Xuhui District Environmental Protection Bureau to give a special training on Pollution Prevention and Control of the Automobile Repair Industry for nearly 80 franchisees. Training contents mainly included automobile repair pollution situation and control methods, law enforcement measures, etc. Over the same period, the Government Relations Department organized the training titled How to Identify and Respond to Door-to-Door Law Enforcement for the franchisees. Law enforcement officers answered all the questions raised by the franchisees concerning practical problems encountered in the operation, such as the standardized disposal of hazardous waste, the flow of hazardous waste oil, the replacement of hazardous waste labels, the standardized construction of hazardous waste storage sites, and the necessity of emergency relief.

Training of Xuhui District Environmental Protection Bureau in Shanghai

10 The environmental data includes relevant data of headquarters office buildings, self-owned warehouses, and self-operated Tuhu workshops.

COMMUNITY CO-CONSTRUCTION

We constantly pursue both social value and commercial value. Integrating industrial advantages with community charity, we strive to promote efficient development of communities and improve the competitiveness of our stores, which is very important.

Amid active cooperation with other enterprises, organizations or institutions, we share resources and knowledge and reduce costs, hoping to achieve better competitiveness and sustainable development. By participating in the development of multiple industry standards, we enhanced our industry reputation and influence, and made due contribution to the promotion, application and development of the industry standards.

In addition, we have established a sound mechanism of communication with the communities where we operate business. We help the communities to the best of our ability by carrying out diverse public welfare activities, with an aim to creating a good public welfare atmosphere.

Industry Cooperation

We hold important positions in more than 40 automobile maintenance and repair associations nationwide, having made positive contributions in enhancing the vitality, cohesion and core competitiveness of the associations, and advancing business exchanges with peers. We have received high recognition from the peers and media.

Association name	Member organization level
China Automotive Maintenance and Repair Trade Association	Vice President
China EV100	Director
China Association for Quality Inspection	Vice President
Aftermarket Auto Parts Branch of China Automobile Dealers Association	Vice President
New Energy Power Battery Recycling and Ladder Utilization Professional Committee of China Industrial Energy Conservation and Cleaner Production Association	Director

National Industry Associations Where Tuhu Play an Important Role

In 2023, Tuhu participated in the development of multiple industry standards, among which the Operating Conditions for Automobile Maintenance and Repair Trade (formerly known as the Automobile Maintenance and Repair Conditions), the Evaluation Specification of Vocational Skills for New Energy Vehicle Maintenance and Repair, the In-use New Energy Passenger Vehicle Safety Detection Specifications, the Technical Requirements for Environmental Protection of Service Places for Motor Vehicle Washing and Maintenance, the Appraisal and Evaluation Specifications for Used New Energy Vehicles, and the New Insurance Rules for Smart Electric Vehicles were signed by Tuhu and released. In addition, the Certification Evaluation Norms for Reassurance Service of Automobile Maintenance and Repair have been approved, and the Automobile Parts Circulation Standard "Leaders" has been assessed in feasibility.

Environmental, Social and Governance Report

Social Welfare

As a leading enterprise of automotive maintenance and repair, we actively fulfill social responsibilities while pursuing sustainable development, and continuously give back to society relying on our professional advantages. While providing high-quality and considerate services for car owners, we bring unexpected warmth to those around us, showing our sincerity and courage. We take the initiative to participate in social welfare undertakings.

Donating to the Hebei Charity Federation

In August 2023, Tuhu donated RMB 3 million to the Hebei Charity Federation to support flood relief and post-disaster reconstruction in Zhuozhou, Baoding, Hebei Province. During the disaster relief period, we set up a rescue hotline of 400-11-8895, providing services of consultation on vehicle maintenance and repair, and of making appointments for door-to-door towing around the clock. In addition, car owners can make appointments for free vehicle maintenance services through our App, including rescue, interior sterilization and disinfection, engine compartment cleaning, external water tank cleaning, and flooding situation inspection. Also, we always spare no effort to provide assistance once getting to know any disaster. Joining hands with respectful front-line rescue workers, we hope to help the people in the disaster areas to overcome difficulties.


捐赠证书

上海阑途信息技术有限公司：

为河北防汛救灾捐赠人民币叁佰万元整，感谢帮助灾区人民战胜困难，重建美好家园。

特发此证，谨表谢忱！

河北省慈善总会

二0二三年八月

Donation Certificate

We make constant innovation to drive socio-economic development, shouldering the mission of serving and benefiting society. Over years of development, we actively fulfill social responsibilities and give back to society relying on our own advantages and skills, while actively spreading positive energy.

While facing the natural hazards, we encouraged our Tuhu workshops to actively participate in disaster relief. In 2021, an extremely heavy rainstorm hit Henan Province. Despite of difficulties, our Tuhu workshops in Zhengzhou resumed normal operation as soon as possible, and mobilized more than 2,700 technicians to provide emergency rescue services. Also, we opened a free rescue hotline and provided customer service around the clock. At that time, we rescued more than 2,000 waterlogged vehicles in total, ensuring the safety of many people in difficulty. It is easy to see that we actively assume social responsibilities through emergency rescue in extreme disaster weather conditions.

Environmental, Social and Governance Report

Rapid Rescue in Extreme Disaster Conditions

July 2023, a rainstorm attacked Xianning, Hubei Province. Serious water logging of many roads caused a large number of vehicles to be trapped. Early that morning, the account manager of one Tuhu workshop in Jiayu County, Xianning received a call for help from a car owner. Immediately after that, he/she sent six technicians to the site for rescue. By 1:00 p.m. that day, they had successfully rescued over 20 vehicles within a span of seven hours.

Emergency Auto Rescue in Rainstorm Conditions

We attach great importance to the employment and well-being of veterans. In 2021, we launched the Veterans Care Program, to facilitate the employment and entrepreneurship of veterans. In Hubei Province and several other regions of China, we provide automotive service related employment training and jobs to veterans. To honor our commitment to supporting veterans, we will continue to take such initiatives in more regions of China.

As of the end of the reporting period, we had more than 5,900 Tuhu workshops distributed in all provinces of Mainland China. So far, we have provided job opportunities for more than 50,000 people. Our stores serve as the first windows between the Company and society, actively assuming social responsibilities. While providing high-quality and considerate services for car owners, we bring unexpected warmth to those around us, showing our sincerity and courage.

Adopting Stray Cats

One day in October 2023, technicians from the Binfen Siji Tuhu Workshop in Hanyang found a kitten in an engine compartment, and managed to take it out safely. They named it “Strong Cat”, bought food and toys for it, and even built a small nest for it in the Tuhu workshop. Now, this cat greets customers every day, as if it were the host there.

Stray Cat Adopted

Environmental, Social and Governance Report

Helping Car Owners Whose Children Taking National College Entrance Examination

During the 2023 National College Entrance Examination, our stores in Shanxi Province picked up some students taking National College Entrance Examination and their parents free of charge, and also provided free services of car washing and windshield wiper fluid filling. On June 7 and 8, some technicians from multiple Tuhu workshops in Shuozhou City, Shanxi Province, in a tent set up in the roadside waiting area, together with representatives of several nearby caring enterprises, distributed the supplies such as bottled mineral water and wet paper napkins to the car owners passing by to send their children to take National College Entrance Examination. Multiple stores in Taiyuan City prepared drinking water, snacks and other heatstroke prevention supplies for similar parents in the rest areas. Many people from all sectors of society gathered here in the scorching summer, giving warm blessing to the students, hoping that they can succeed in the examination.

Presenting Heatstroke Prevention Supplies to Students and Their Parents

Rescuing an Elderly Person Living Alone

One day in March 2023, a fire broke out in the home of an elderly person living alone in Renyi Residential Community, Jianghan District, Wuhan City. The fire spread to the kitchen quickly. It was very dangerous because he/she was disabled in action. At the critical moment, some technicians from a Tuhu workshop on Jianshe Avenue of Wuhan erected a 4-meter-high ladder, broke through the window, extinguished the open flames, and finally took him/her to a safe place. Demonstrating their courage, spirit of self-sacrifice and sense of social responsibility, they bravely protected the life and property safety of the elderly person.

Technicians Rescuing the Trapped Elderly Person

APPENDIX: CONTENT INDEX OF THE ESG REPORTING GUIDE OF THE STOCK EXCHANGE

Environmental, Social, and Governance Scope, General Disclosure and Key Performance Indicators (KPIs)			Location (section)
Environment			
Aspect A1: Emissions	General disclosure	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Green Development-Green Operation
	A1.1	The types of emissions and respective emissions data	Green Development-Green Operation
	A1.2	Total GHG emissions and intensity	Green Development-Tackling Climate Change
	A1.3	Total hazardous waste produced and intensity	Green Development-Green Operation
	A1.4	Total non-hazardous waste produced and intensity	Green Development-Green Operation
	A1.5	Description of emissions target (s) set and steps taken to achieve them	Green Development-Green Operation
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and description of reduction target (s) set and steps taken to achieve them	Green Development-Green Operation
Aspect A2: Use of Resources	General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Green Development-Green Operation
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity	Green Development-Green Operation
	A2.2	Water consumption in total and intensity	Green Development-Green Operation
	A2.3	Description of energy use efficiency target (s) set and steps taken to achieve them	Green Development-Green Operation
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency goals set and steps taken to achieve them	Green Development-Green Operation
	A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced	Green Development-Green Operation

Environmental, Social and Governance Report

Environmental, Social, and Governance Scope, General Disclosure and Key Performance Indicators (KPIs)			Location (section)
Environment			
Aspect A3: The Environment and Natural Resources	General disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources	Green Development-Green Operation
	A3.1	Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage them	Green Development-Green Operation
Aspect A4: Climate Change	General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	Green Development-Tackling Climate Change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	Green Development-Tackling Climate Change
Society			
Aspect B1: Employment	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	People Oriented-Employee Development
	B1.1	Total workforce by gender, employment type, age group and geographical region	People Oriented-Employee Rights and Interests
	B1.2	Employee turnover rate by gender, age group and geographical region	People Oriented-Employee Rights and Interests
Aspect B2: Health and Safety	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	People Oriented-Care for Employees
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years	People Oriented-Care for Employees
	B2.2	Days of work lost due to occupational injuries	People Oriented-Care for Employees
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	People Oriented-Care for Employees

Environmental, Social and Governance Report

Environmental, Social, and Governance Scope, General Disclosure and Key Performance Indicators (KPIs)			Location (section)
Society			
Aspect B3: Development and Training	General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work Description of training activities	People Oriented-Employee Development
	B3.1	The percentage of employees trained by gender and employee category	People Oriented-Employee Development
	B3.2	The average training hours completed per employee by gender and employee category	People Oriented-Employee Development
Aspect B4: Labor Standards	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	People Oriented-Employee Rights and Interests
	B4.1	Description of measures to review employment practices to avoid employment of child and forced labor	People Oriented-Employee Rights and Interests
	B4.2	Description of steps taken to eliminate such practices when discovered	People Oriented-Employee Rights and Interests
Aspect B5: Supply Chain Management	General disclosure	Policies on managing environmental and social risks of the supply chain	Service Guarantee-Supply Chain Management
	B5.1	Number of suppliers by geographical region	Service Guarantee-Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	Service Guarantee-Supply Chain Management
	B5.3	Description of practices relating to identifying environmental and social risks at every stage of the supply chain, and how they are implemented and monitored	Service Guarantee-Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	Service Guarantee-Supply Chain Management

Environmental, Social and Governance Report

Environmental, Social, and Governance Scope, General Disclosure and Key Performance Indicators (KPIs)			Location (section)
Society			
Aspect B6: Product Responsibility	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Service Guarantee-Products and Services
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Service Guarantee-Products and Services
	B6.2	Number of products and service related complaints received and how they are dealt with	Service Guarantee-Products and Services
	B6.3	Description of practices relating to observing and protecting intellectual property rights	Responsible Governance-Intellectual Property
	B6.4	Description of quality assurance process and recall procedures	Service Guarantee-Products and Services
	B6.5	Description of customer data protection and privacy policies, and how they are implemented and monitored	Service Guarantee – Data security
Aspect B7: Anti-corruption	General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Responsible Governance-Business Ethics
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Responsible Governance-Business Ethics
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	Responsible Governance-Business Ethics
	B7.3	Description of the anti-corruption training provided to directors and employees	Responsible Governance-Business Ethics
Aspect B8: Community Investment	General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Community Co-construction-Social Welfare
	B8.1	Focus areas of contribution	Community Co-construction-Social Welfare
	B8.2	Resources contributed to the focus area	Community Co-construction-Social Welfare

Independent Auditor's Report

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To the shareholders of TUHU Car Inc.
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of TUHU Car Inc. (the "Company") and its subsidiaries (the "Group") set out on pages 156 to 259, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

EY 安永

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Write-down of inventories As at 31 December 2023, the net carrying value of inventories amounted to RMB1,799,796,000, which represented 15.3% of the Group's total assets. The Group states inventories at the lower of cost and net realisable value. The Group's management reviewed the conditions of inventories of the Group and determined the write-down of obsolete and slow-moving inventory items. Write-down for obsolete inventories is based on management's estimation using the available facts and circumstances, including but not limited to, the inventories' own physical conditions, their ageing, market demand and selling prices. We focus this area as the inventories are material to the Group and the determination of the write-down of inventories involves significant estimation from management. Details are set out in note 2.4, note 3 and note 23 to the financial statements for related disclosures.	Our related key procedures included, amongst others, (i) obtaining an understanding of the accounting policy for write-down of inventories, evaluating the methods and assumptions used to determine the write-down amounts; (ii) understanding and evaluating the design and operating effectiveness of the internal controls over the impairment assessment of inventories; (iii) examining the inventory ageing and the usage of inventory on a sample basis; (iv) recalculated the write-down amounts to check the mathematical accuracy of the calculation; (v) observing physical inventory counts at major locations and checking the condition of inventories on a sample basis; and (vi) comparing the subsequent selling prices less costs of disposal of finished goods sold, on a sample basis, to their carrying amounts.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. We obtained Section Management Discussion and Analysis prior to the date of our auditor's report, and we expect to obtain the rest Sections of the Annual Report after the date of our auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yin Guowei.

Ernst & Young
Certified Public Accountants
Hong Kong
14 March 2024

Consolidated Statement of Profit or Loss

Year ended 31 December 2023

	Notes	2023 *RMB'000*	2022 *RMB'000*
Revenue	5	**13,601,085**	11,546,851
Cost of revenue		**(10,241,732)**	(9,276,669)
Gross profit		**3,359,353**	2,270,182
Other income and gains, net	6	**118,362**	151,452
Operations and support expenses		**(600,390)**	(627,473)
Research and development expenses		**(579,615)**	(621,365)
Selling and marketing expenses		**(1,714,684)**	(1,542,216)
General and administrative expenses		**(420,194)**	(399,094)
Fair value changes on financial assets at fair value through profit or loss	7	**(1,308)**	4,594
Operating profit/(loss)		**161,524**	(763,920)
Finance income	8	**128,508**	56,934
Finance costs	8	**(18,823)**	(27,875)
Fair value changes of convertible redeemable preferred shares		**6,465,354**	(1,339,273)
Share of profits and losses of joint ventures and associates		**(11,217)**	(33,515)
PROFIT/(LOSS) BEFORE TAX	9	**6,725,346**	(2,107,649)
Income tax expense	12	**(24,649)**	(30,666)
PROFIT/(LOSS) FOR THE YEAR		**6,700,697**	(2,138,315)
Attributable to:			
Owners of the parent		**6,702,935**	(2,136,173)
Non-controlling interests		**(2,238)**	(2,142)
		6,700,697	(2,138,315)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (RMB)	14	**20.8**	(14.8)
Diluted (RMB)	14	**0.3**	(14.8)

Consolidated Statement of Comprehensive Income

Year ended 31 December 2023

	2023 *RMB'000*	2022 *RMB'000*
PROFIT/(LOSS) FOR THE YEAR	**6,700,697**	(2,138,315)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that will be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the financial statements of the subsidiaries of the Company	**(79,280)**	(652,235)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**61,725**	(121,487)
Exchange differences on translation of the financial statements of the Company	**(456,235)**	(899,492)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(473,790)**	(1,673,214)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**6,226,907**	(3,811,529)
Attributable to:		
Owners of the parent	**6,229,145**	(3,809,387)
Non-controlling interests	**(2,238)**	(2,142)
	6,226,907	(3,811,529)

Consolidated Statement of Financial Position

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	899,188	671,032
Right-of-use assets	16(a)	466,946	467,714
Goodwill	17	20,323	15,820
Other intangible assets	18	57,804	69,975
Long-term treasury investments	26	1,065,260	–
Financial investments at fair value through profit or loss	19	191,043	227,120
Investments in joint ventures and associates	20	362,612	279,069
Equity investments designated at fair value through other comprehensive income	21	356,240	289,312
Restricted cash	27	7,799	403
Other non-current assets	22	66,189	87,825
Total non-current assets		3,493,404	2,108,270
CURRENT ASSETS			
Inventories	23	1,799,796	1,542,547
Trade receivables	24	218,179	173,731
Prepayments, other receivables and other assets	25	496,100	456,257
Short-term treasury investments	26	1,587,126	540,036
Restricted cash	27	1,454,795	1,506,922
Cash and cash equivalents	27	2,715,285	2,686,353
Total current assets		8,271,281	6,905,846

Consolidated Statement of Financial Position

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000
CURRENT LIABILITIES			
Trade and bills payables	28	3,886,756	3,119,324
Other payables and accruals	29	1,719,505	1,566,010
Contract liabilities	30	742,667	653,045
Interest-bearing borrowings	31	1,009	–
Tax payable		120,096	97,225
Lease liabilities	16(b)	132,320	136,595
Total current liabilities		6,602,353	5,572,199
NET CURRENT ASSETS		1,668,928	1,333,647
TOTAL ASSETS LESS CURRENT LIABILITIES		5,162,332	3,441,917
NON-CURRENT LIABILITIES			
Convertible redeemable preferred shares	32	–	21,726,488
Interest-bearing borrowings	31	7,500	–
Contract liabilities	30	58,777	60,268
Lease liabilities	16(b)	223,840	203,735
Deferred tax liabilities	33	7,391	10,333
Other non-current liabilities	34	406,505	397,657
Total non-current liabilities		704,013	22,398,481
Net assets/(liabilities)		4,458,319	(18,956,564)
EQUITY			
Equity attributable to owners of the parent			
Share capital	35	118	21
Reserves/(deficits)	36	4,459,854	(18,956,780)
		4,459,972	(18,956,759)
Non-controlling interests		(1,653)	195
Total equity		4,458,319	(18,956,564)

Mr. Chen Min
Director

Mr. Hu Xiaodong
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Notes	Attributable to ordinary equity holders of the parent								
		Share capital *RMB'000* (Note 35)	Capital reserve* *RMB'000* (Note 36)	Share-based payment reserve* *RMB'000* (Note 36)	Fair value reserve of financial assets at fair value through other comprehensive income* *RMB'000* (Note 36)	Exchange fluctuation reserve* *RMB'000* (Note 36)	Accumulated losses* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2022		21	128,094	351,351	–	814,438	(16,660,615)	(15,366,711)	2,337	(15,364,374)
Loss for the year	9	–	–	–	–	–	(2,136,173)	(2,136,173)	(2,142)	(2,138,315)
Other comprehensive loss for the year:										
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax		–	–	–	(121,487)	–	–	(121,487)	–	(121,487)
Exchange differences on translation of foreign operations		–	–	–	–	(1,551,727)	–	(1,551,727)	–	(1,551,727)
Total comprehensive loss for the year		–	–	–	(121,487)	(1,551,727)	(2,136,173)	(3,809,387)	(2,142)	(3,811,529)
Share-based payments	37	–	–	219,339	–	–	–	219,339	–	219,339
At 31 December 2022		21	128,094	570,690	(121,487)	(737,289)	(18,796,788)	(18,956,759)	195	(18,956,564)

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Notes	Attributable to ordinary equity holders of the parent									
	Notes	Share capital *RMB'000* (Note 35)	Share premium* *RMB'000* (Note 36)	Capital reserve* *RMB'000* (Note 36)	Share-based payment reserve* *RMB'000* (Note 36)	Fair value reserve of financial assets at fair value through other comprehensive income* *RMB'000* (Note 36)	Exchange fluctuation reserve* *RMB'000* (Note 36)	Accumulated losses* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2023		21	-	128,094	570,690	(121,487)	(737,289)	(18,796,788)	(18,956,759)	195	(18,956,564)
Profit for the year	9	-	-	-	-	-	-	6,702,935	6,702,935	(2,238)	6,700,697
Other comprehensive income for the year:											
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax at fair value through other comprehensive income, net of tax		-	-	-	-	61,725	-	-	61,725	-	61,725
Exchange differences on translation of foreign operations		-	-	-	-	-	(535,515)	-	(535,515)	-	(535,515)
Total comprehensive income for the year		-	-	-	-	61,725	(535,515)	6,702,935	6,229,145	(2,238)	6,226,907
Share-based payments	37	2	-	-	201,629	-	-	-	201,631	-	201,631
Acquisition of a subsidiary	38	-	-	-	-	-	-	-	-	7,779	7,779
Capital deduction from a subsidiary		-	-	(472)	-	-	-	-	(472)	(7,778)	(8,250)
Purchase of non-controlling interests		-	-	(4,801)	-	-	-	-	(4,801)	389	(4,412)
Issue of shares, net of underwriting commissions and other issuance costs	35	6	1,063,411	-	-	-	-	-	1,063,417	-	1,063,417
Conversion of convertible redeemable preferred shares to ordinary shares	32	88	15,815,057	-	-	-	-	-	15,815,145	-	15,815,145
Exercise of the over- allotment option		1	112,665	-	-	-	-	-	112,666	-	112,666
At 31 December 2023		118	16,991,133	122,821	772,319	(59,762)	(1,272,804)	(12,093,853)	4,459,972	(1,653)	4,458,319

* These reserve accounts comprise the consolidated reserves of RMB4,459,854,000 (2022: deficits of RMB18,956,780,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax:		**6,725,346**	(2,107,649)
Adjustments for:			
Finance income	8	**(128,508)**	(56,934)
Finance costs	8	**18,823**	27,875
Share of profits and losses of joint ventures and associates	20	**11,217**	33,515
Dividend income from financial assets at fair value through profit or loss		**(1,778)**	–
Fair value changes of convertible redeemable preferred shares	32	**(6,465,354)**	1,339,273
Fair value changes of financial assets at fair value through profit or loss		**1,308**	2,060
Share-based payment expenses	9	**201,629**	219,339
Loss on disposal of property, plant and equipment	15	**2,606**	6,193
Foreign exchange differences	6	**(2,563)**	(23,738)
Depreciation of property, plant and equipment	15	**160,365**	156,513
Depreciation of right-of-use assets	16(a)	**196,336**	203,390
Amortisation of other intangible assets	18	**4,804**	3,873
Impairment losses on trade receivables and other receivables	9	**(1,332)**	5,228
Write-down of inventories		**16,011**	77,698
Impairment of property, plant and equipment	15	**642**	1,117
Impairment of right-of-use assets	16	**5,387**	1,273
Impairment of other intangible assets	18	**11,768**	–
Termination of leases	16(a)	**(107)**	(3,303)
		756,600	(114,277)
(Increase)/decrease in inventories		**(272,480)**	87,576
(Increase)/decrease in trade receivables		**(43,494)**	26,631
(Increase)/decrease in prepayments, other receivables and other assets		**(58,526)**	66,523
Decrease in other non-current assets		**6,699**	8,357
Increase in restricted cash		**(348,728)**	(361,608)
Increase/(decrease) in trade and bills payables		**766,271**	(120,997)
Increase in other payables and accruals		**127,549**	95,174
Increase in contract liabilities		**83,272**	39,258
Increase/(decrease) in other non-current liabilities		**8,848**	(38,389)
Cash generated from/(used in) operations		**1,026,011**	(311,752)
Income tax paid		**(4,720)**	(959)
Net cash flows from/(used in) operating activities		**1,021,291**	(312,711)

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received from a joint venture		**5,241**	–
Dividends received from financial assets at fair value through profit or loss		**1,778**	–
Purchase of items of property, plant and equipment	15	**(359,981)**	(334,139)
Purchase of other intangible assets	18	**(2,009)**	(11,284)
Purchase of right-of-use assets – land use right	16	**–**	(55,221)
Purchase of treasury investments		**(2,793,883)**	(3,854,859)
Proceeds from treasury investments		**686,189**	5,201,149
Purchase of financial investments at fair value through profit or loss		**(22,940)**	(65,138)
Proceeds from disposal of financial investments at fair value through profit or loss		**41,415**	66,264
Purchase of shareholdings in associates and joint ventures		**(100,000)**	(118,360)
Purchase of equity investments designated at fair value through other comprehensive income		**–**	(412,290)
Acquisition of subsidiaries	38	**31,111**	(17,962)
Capital deduction from a subsidiary		**(8,250)**	–
Loans to related parties		**–**	(37,370)
Repayment of loans to related parties	41	**769**	44,234
Loans to equity investees and others		**–**	(44,982)
Repayment of loans to equity investees and others		**19,823**	64,371
Interest received		**128,971**	56,934
Net cash flows (used in)/from investing activities		**(2,371,766)**	481,347

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments	16(b)	**(185,018)**	(187,194)
Interest portion of lease payments	16(b)	**(18,644)**	(24,246)
Increase in deposits of leases		**5,352**	4,358
Interest paid		**(234)**	(964)
Proceeds from interest-bearing borrowings		**–**	50,000
Repayments of interest-bearing borrowings		**(500)**	(314,000)
Net proceeds from issuance of ordinary shares and over-allotment option		**1,168,479**	–
Purchase of non-controlling interest		**(10,000)**	–
Increase in restricted cash		**(446,254)**	(834,651)
Decrease in restricted cash		**836,604**	2,242,674
Net cash flows from financing activities		**1,349,785**	935,977
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(690)**	1,104,613
Cash and cash equivalents at beginning of year		**2,686,353**	1,472,293
Effect of foreign exchange rate changes, net		**29,622**	109,447
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,715,285**	2,686,353
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash at banks and on hand	27	**1,270,354**	2,247,583
Time deposits with original maturities within three months	27	**1,444,931**	438,770
CASH AND CASH EQUIVALENTS AS STATED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS		**2,715,285**	2,686,353

Notes to Financial Statements

31 December 2023

1. CORPORATE INFORMATION

TUHU Car Inc. (the "Company") was incorporated in the Cayman Islands on 8 July 2019. The registered office of the Company is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively referred to as the "Group") primarily provide automotive products and services to consumers through its online interfaces, including "Tuhu Automotive Service" APP, its website and Weixin mini program in the People's Republic of China (hereafter, the "PRC").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Beginner Investment Limited	British Virgin Islands 17 July 2019	US$50,000	100%	–	Investment holding
TUHU Car (Hong Kong) Limited	Hong Kong 29 July 2019	US$10,000	–	100%	Investment holding
Shanghai Xirang Information Technology Co., Ltd.* (上海息壤信息技術有限公司)	PRC/Chinese Mainland 2 September 2019	RMB6,020,000,000	–	100%	Investment holding
Shanghai Lantu Information Technology Co., Ltd.* (上海闌途信息技術有限公司)	PRC/Chinese Mainland 26 June 2014	RMB6,000,000,000	–	100%	Automotive products and services
Shanghai Jida Trade Co., Ltd. * (上海驥達貿易有限公司)	PRC/Chinese Mainland 16 April 2015	RMB100,000,000	–	100%	Automotive products and services
Shanghai Mengfan Trade Co., Ltd. * (上海盟帆貿易有限公司)	PRC/Chinese Mainland 30 June 2015	RMB1,000,000	–	100%	Automotive products and services
Shanghai Zitu E-Commerce Co., Ltd. * (上海紫途電子商務有限公司)	PRC/Chinese Mainland 18 April 2014	RMB2,100,000,000	–	100%	Automotive products and services
Shanghai Kanming Advertising Co., Ltd. * (上海刊明廣告有限公司)	PRC/Chinese Mainland 23 February 2017	RMB81,000,000	–	100%	Provision of advertising services
Shanghai Tuju Enterprise Management Consulting Co., Ltd. * (上海途聚企業管理諮詢有限公司)	PRC/Chinese Mainland 9 October 2018	RMB20,000,000	–	100%	Management of store network

* The English names of these companies represent the best effort made by the management of the Company to directly translate the Chinese names as they do not register any official English names.

* These entities are limited liability companies established in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") (which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB")) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets and liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Certain items and balances in the comparative financial statements have been re-presented to conform with the current year's financial statement presentation.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2. ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

Basis of consolidation (Continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve, and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in accounting policies and disclosures

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies and disclosures (Continued)

The nature and the impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

The adoption of amendments to IAS 12 did not have any material impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 2023 and 2022.

(d) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective international financial reporting standards

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[1]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")[1]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[1]
Amendments to IAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.3 Issued but not yet effective international financial reporting standards (Continued)

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer the settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other case, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Business combinations and goodwill (Continued)

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures certain financial assets and financial liabilities at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Fair value measurement (Continued)

For assets and liabilities that are recognised in the financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Estimated useful life	Estimated residual value
Buildings	20 years	5%
Machinery	3 to 5 years	5%
Motor vehicles	5 years	5%
Furniture and fixtures	5 to 6 years	5%
Leasehold improvements	Over the shorter of the lease term and estimated useful lives	0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Property, plant and equipment and depreciation (Continued)

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software

Software is stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 3 years.

Licences

Licences represent an insurance brokerage licence and a transportation licence. The insurance brokerage licence has an indefinite useful life as the extension cost is low and the assets can be used indefinitely. The insurance brokerage licence is stated at cost less any impairment losses. The transportation licence is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 3 years.

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Intangible assets (other than goodwill) (Continued)

Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets. Right-of-use assets are subject to impairment.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g. a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Investments and other financial assets (Continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under *IAS 32 Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, interest-bearing borrowings, convertible redeemable preferred shares and other non-current liabilities.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Financial liabilities (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities. The Group has designated its convertible redeemable preferred shares as financial liabilities at fair value through profit or loss, details of which are included in note 32 to the financial statements.

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value, and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash at banks and on hand, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax assets relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of services or of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services or goods.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Automotive products and services

Automotive products and services comprise mainly the sale of automotive products such as tires, automotive parts and maintenance products to individuals and automotive service providers, sale of automotive services such as car wash and detailing services, and sale of bundled tire replacement and comprehensive installation and maintenance services. The Group provides its automotive products and services through its online interfaces and offline stores. The Group recognises revenue at the point in time when customers take possession of and accept the automotive products and services. For a transaction that contains the sale of automotive products or sale of bundled automotive products and services, the Group recognises revenue on a gross basis as it is the principal in the arrangement that it bears product inventory risk and controls the services prior to the transfer to its customers and it is responsible for the acceptability of the products and services. The Group recognises revenue on a net basis when the Group acts as an agent and is not responsible for the acceptability of the products and services.

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Automotive products and services (Continued)

The Group also sells automotive service vouchers mainly to its large key account customers. There are two forms of sales of service vouchers, i.e., pay-by-consumption and prepaid service voucher. The majority of such sales of vouchers are paid by those key account customers in accordance with the actual consumption. Certain sales of vouchers are prepaid where key account customers make bulk purchases of vouchers with non-refundable upfront payment, and the value of prepayment is initially recognised as a contract liability. The Group recognises revenues from sales of automotive service vouchers when they are redeemed. For prepaid automotive service vouchers, as the vouchers sold at any given point generally expire over the next 12 months and the prepayment is not refundable, the Group also expects to be entitled to a breakage amount, which is the amount of vouchers that is not expected to be redeemed. The estimated breakage is then recognised as revenue in proportion to the pattern of the customer's redemption of the underlying vouchers. The Group reviews its breakage estimates at least annually based upon the latest available information regarding the redemption and expiration patterns. Revenue from the breakage amount was not significant during the year.

The Group recognises revenues net of discounts and return allowances. For coupons that are not issued concurrently with the completion of a sales transaction, the Group records such incentives as a deduction of revenue when used by customers, except for referral coupons, which are recognised as selling and marketing expenses when customers provide a customer referral. The amount of marketing expenses related to customer referral is insignificant for the year presented. For coupons issued to customers concurrent with the completion of a sales transaction that can be redeemed for future products or services before expiration (which is generally within 12 months from the issue date), the Group accounts for such coupons as separate performance obligations. Revenue allocated to these coupons is deferred and recognised as the obligation to the customers is satisfied. During the year, each of the amounts of deferred and recognised revenue for these coupons was immaterial.

The Group allows for return of products within seven days or 30 days, as applicable. The Group estimates a provision for product returns based on historical experience. At the end of each reporting period, estimated liabilities for return allowances were not significant.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(b) Franchise services

Revenue from franchise services include an upfront franchise fee, monthly fixed management fees and profit-based royalty fees. The upfront franchise and management fees are recognised over the term of the franchise agreements. Franchised stores pay recurring royalty fees, based on a fixed percentage of the franchised stores' monthly profits throughout the duration of the respective franchise agreements. The recurring royalty fees are recognised at the time the underlying franchised stores' sales occur. Each franchised store is required to make a deposit, which is fully refundable upon the termination of the franchise agreement.

(c) Advertising services

Advertising services comprise mainly the services where Company displays its customers' advertisements on its online interfaces and at its offline stores. Revenues are recognised ratably over the contractual advertising display period as it most faithfully depicts the simultaneous consumption and delivery of services.

(d) Others

Other revenues mainly represent revenues from insurance brokerage and insurance agency services, software-as-a-service ("SaaS") solutions, sales of new energy vehicles and sales of used cars and used car transaction services. Revenues from SaaS solutions on a fixed-period basis are recognised over the term of the agreements. Revenues from SaaS solutions on a project basis, revenue from sales of new energy vehicles and revenues from other categories are recognised at the point in time when customers take possession of and accept the products and services.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Right-of-return assets

A right-of-return asset is recognised for the right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the goods to be returned, less any expected costs to recover the goods and any potential decreases in the value of the returned goods. The Group updates the measurement of the asset for any revisions to the expected level of returns and any additional decreases in the value of the returned goods.

Share-based payments

The Group operates share award schemes. Employees (including directors) and consultants of the Group receive remuneration in the form of share-based payments, whereby rendering services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees are measured by reference to the fair values at the dates at which they are granted. The cost of equity-settled transactions with consultants are measured by reference indirectly to the fair values of the equity instruments granted at the dates the counterparty renders services as the fair values of the services received cannot be directly reliably estimated. The fair values of equity instruments granted are determined by an external valuer using a binomial model, further details of which are given in note 37 to the financial statements.

The cost of equity-settled transactions is recognised as employee benefit expenses or the expenses as the services received by the consultants, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Share-based payments (Continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute certain percentages of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Notes to Financial Statements

31 December 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is different from the Company's functional currency, the United States dollar ("US$"). As the major revenues and assets of the Group are derived from operations in Chinese Mainland, RMB is chosen as the presentation currency to present the financial statements. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. The functional currency of the Company is the US$. As at the end of each of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

2. ACCOUNTING POLICIES (CONTINUED)

2.4 Material accounting policies (Continued)

Foreign currencies (Continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of these entities are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of these entities which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

There is no significant effect on the amounts recognised in the Group's financial statements arising from the judgements, apart from those involving estimations, made by management in the process of applying the Group's accounting policies.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Write-down of inventories to net realisable value

The Group's inventories are stated at the lower of cost and net realisable value. Write-down of inventories to net realisable value is made for those identified obsolete and slow-moving inventories and inventories with a carrying amount higher than the net realisable value. The assessment of the estimated net realisable value requires management's estimates which are influenced by assumptions concerning future sales and usage, and estimates in determining the appropriate level of inventory write-down against identified surplus or obsolete items. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying value of inventories and the write-down/reversal of write-down of inventories in the period in which such estimate has been changed.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Fair value of financial instruments

Prior to the completion of the initial public offering ("IPO"), the convertible redeemable preferred shares issued by the Company are not traded in an active market and the respective fair values are determined by using valuation techniques of the option-pricing method and equity allocation model. The valuation techniques are certified by an independent and recognised international business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Key assumptions include the risk-free interest rate, discounts for lack of marketability ("DLOM") and volatility.

All Preferred Shares had been converted into Class A ordinary shares upon the IPO on 26 September 2023. Further details are set out in note 32 to the financial statements.

Fair value measurement of share-based payments

The Group has set up the 2019 share incentive plan and Post-IPO Share Scheme and granted options, restricted shares and restricted share units to the Group's directors, employees and consultants. Estimating the fair value of share-based payments requires the determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires the determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. Further details are included in note 37 to the financial statements.

4. OPERATING SEGMENT INFORMATION

No operating segment information is presented as the Group's revenue and reported results during the year, and the Group's total assets as at the end of the year were derived from one single operating segment.

Geographical information

As the Group generates majority of its revenues and the non-current assets in the PRC during the year, no further geographical segments are presented.

Segment assets exclude deferred tax assets, tax recoverable, financial instruments, derivative financial instruments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Information about major customers

The Group has a large number of customers, and no single customer accounted for more than 10% of the Group's total revenue during the year.

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5. REVENUE

Revenue represents income from automotive products and services, franchise services, advertising services and others during the year.

(i) Disaggregated revenue information

	2023 *RMB'000*	2022 *RMB'000*
Revenue from contracts with customers:		
Automotive products and services	**12,646,780**	10,722,748
Advertising, franchise and other services		
Franchise services	**731,334**	549,679
Advertising services	**74,672**	59,256
Others	**148,299**	215,168
Total	**13,601,085**	11,546,851

	2023 *RMB'000*	2022 *RMB'000*
Timing of revenue recognition		
Services transferred over time:		
Advertising, franchise and other services		
Franchise services	**731,334**	549,679
Advertising services	**74,672**	59,256
Others	**7,962**	6,004
At a point in time:		
Automotive products and services	**12,646,780**	10,722,748
Advertising, franchise and other services		
Others	**140,337**	209,164
Total revenue from contracts with customers	**13,601,085**	11,546,851

5. REVENUE (CONTINUED)

(i) Disaggregated revenue information (Continued)

Revenue recognised that was included in contract liabilities at the beginning of the reporting year:

	2023 ***RMB'000***	2022 *RMB'000*
Automotive products and services	**472,609**	350,613
Franchise services	**180,436**	208,386
Total	**653,045**	558,999

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Automotive products and services

The performance obligation is satisfied when customers take possession of and accept the automotive products and services. For majority of the sales transactions, customers make advance payment before the products and services are delivered to them, and for certain sales transactions, payment is due within 30 days.

Franchise services

The performance obligation is satisfied over time as services are rendered. Generally, franchise services contracts are for periods of more than one year. Advances are required for upfront licence fees. Monthly fixed management fees and profit-based royalty fees are billed on a monthly basis.

Advertising services

The performance obligation is satisfied over time as services are rendered. Generally, advertising services contracts are for periods of less than one year, and are billed based on the time incurred.

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5. REVENUE (CONTINUED)

(ii) Performance obligations (Continued)

Others

The performance obligation of SaaS solutions on fixed-period basis is satisfied over time as services are rendered. Generally, SaaS solutions contracts are for period of less than one year. The performance obligation of SaaS solutions on project basis and the performance obligation of other categories are satisfied when customers take possession of and accept the products and services.

As the practical expedient, the Group does not disclose the transaction price allocated to unsatisfied performance obligations for contracts with an original expected length of one year or less. As at 31 December 2023 and 2022, the aggregate amount of transaction prices allocated to performance obligations (unsatisfied or partially unsatisfied) for long-term contracts is related to deferred upfront franchise fees from franchised stores, does not include any variable consideration, and amounted to RMB227,533,000 (2022: RMB240,704,000) respectively, which are expected to be recognised as revenues over one to six years.

6. OTHER INCOME AND GAINS, NET

An analysis of other income and gains, net is as follows:

	2023 *RMB'000*	2022 *RMB'000*
Government grants*	**111,005**	111,716
Net foreign exchange gains	**2,563**	23,738
Others	**4,794**	15,998
	118,362	151,452

* Government grants mainly represent various supports awarded by the local governments to support the Group's operation. There are no contingencies relating to these grants.

7. FAIR VALUE CHANGES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 *RMB'000*	2022 *RMB'000*
Fair value changes of wealth management products	**11,728**	6,654
Fair value changes of financial investments	**(13,036)**	(2,060)
	(1,308)	4,594

8. FINANCE INCOME/(COSTS)

An analysis of finance income/(costs) is as follows:

	2023 *RMB'000*	2022 *RMB'000*
Finance income		
Interest income	**128,508**	56,934
Finance costs		
Interest on bank loans	**(179)**	(3,629)
Interest on lease liabilities	**(18,644)**	(24,246)
Total	**(18,823)**	(27,875)

Notes to Financial Statements

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9. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Notes	2023 RMB'000	2022 RMB'000
Cost of revenue*		**9,866,409**	8,820,323
Depreciation of property, plant and equipment	15	**160,365**	156,513
Depreciation of right-of-use assets	16(a)	**196,336**	203,390
Amortisation of other intangible assets	18	**4,804**	3,873
Fair value changes of convertible redeemable preferred shares		**(6,465,354)**	1,339,273
Lease payments not included in the measurement of lease liabilities		**42,516**	65,328
Employee benefit expenses (including directors' and chief executive's remuneration):			
Wages, salaries and allowances		**1,439,683**	1,495,325
Pension scheme contributions		**127,838**	131,860
Share-based payment expenses		**166,302**	200,571
Share-based payment expenses of consultants		**35,327**	18,768
Foreign exchange differences, net		**(2,563)**	(23,738)
Impairment losses on trade receivables and other receivables		**(1,332)**	5,228
Write-down of inventories		**16,011**	77,698
Impairment of property, plant and equipment	15	**642**	1,117
Impairment of right-of-use assets	16(a)	**5,387**	1,273
Impairment of other intangible assets	18	**11,768**	–
Auditor's remuneration		**3,500**	1,000
Advertising and promotion related expenses		**782,625**	617,297
Shipping expenses		**391,967**	373,935
Listing expenses		**44,342**	27,774

* The amount of cost of revenue as stated herein excludes those included in the depreciation of property, plant and equipment, depreciation of right-of-use assets, amortisation of other intangible assets, write-down of inventories, employee benefit expenses, short-term lease expenses and shipping expenses.

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2023 RMB'000	2022 RMB'000
Fees to independent non-executive directors	240	–
Other emoluments to executive directors, a non-executive director and the chief executive:		
Salaries, allowances and benefits in kind	2,704	2,754
Share-based payment expenses	5,556	7,313
Pension scheme contributions	192	188
Subtotal	8,452	10,255
Total fees and other emoluments	8,692	10,255

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 37 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees payable to independent non-executive directors during the year were as follows:

	2023 RMB'000	2022 RMB'000
Mrs. Yan Huiping	80	–
Mr. Feng Wei	80	–
Mr. Wang Jingbo	80	–
Total	240	–

There were no other emoluments payable to the independent non-executive directors during the year (2022: Nil).

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10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors, a non-executive director and the chief executive

	Fees	Salaries, allowances and benefits in kind	Share-based payment expenses	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2023					
Executive directors:					
Mr. Chen Min*	–	1,831	4,107	96	6,034
Mr. Hu Xiaodong	–	873	1,449	96	2,418
Subtotal	–	2,704	5,556	192	8,452
Non-executive director:					
Mr. Yao Leiwen	–	–	–	–	–
Total	–	2,704	5,556	192	8,452
2022					
Executive directors:					
Mr. Chen Min*	–	1,950	5,425	94	7,469
Mr. Hu Xiaodong	–	804	1,888	94	2,786
Subtotal	–	2,754	7,313	188	10,255
Non-executive director:					
Mr. Yao Leiwen	–	–	–	–	–
Total	–	2,754	7,313	188	10,255

* Mr. Chen Min was the chief executive of the Group during the years ended 31 December 2023 and 2022.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director (2022: one director), details of whose remuneration are set out in note 10. Details of the remuneration for the year of the remaining four (2022: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2023 *RMB'000*	2022 *RMB'000*
Salaries, allowances and benefits in kind	7,290	6,823
Share-based payment expenses	71,443	75,856
Pension scheme contributions	366	385
	79,099	83,064

The number of non-director highest paid employees whose remuneration fell within the following bands is as follows:

	2023	2022
HK$4,500,001 to HK$5,000,000	1	–
HK$5,500,001 to HK$6,000,000	–	1
HK$7,500,001 to HK$8,000,000	1	–
HK$8,500,001 to HK$9,000,000	–	1
HK$17,000,001 to HK$17,500,000	–	1
HK$30,500,001 to HK$31,000,000	1	–
HK$44,500,001 to HK$45,000,000	1	–
HK$65,500,001 to HK$66,000,000	–	1
	4	4

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12. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Company and the Group's subsidiary incorporated in the Cayman Islands and the BVI are not subject to any income tax.

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK$2,000,000 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

Certain PRC subsidiaries were accredited as high and new-tech enterprises by the relevant authorities, therefore, the preferential income tax rate of 15% was applied. Except for this, the Company PRC corporate income tax has been provided at the rate of 25% on the taxable profits of the Group's PRC subsidiaries.

	2023	2022
	RMB'000	*RMB'000*
Current income tax	**27,591**	30,666
Deferred income tax (note 33)	**(2,942)**	–
Total tax charge for the year	**24,649**	30,666

A reconciliation of the tax expense/(credit) applicable to profit/(loss) before tax at the statutory tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates are as follows:

	2023	2022
	RMB'000	*RMB'000*
Profit/(loss) before tax	**6,725,346**	(2,107,649)
Tax at the statutory tax rate of 25%	**1,681,337**	(526,912)
Effect of differing tax rates in different jurisdictions	**(1,631,084)**	374,291
Profits and losses attributable to joint ventures and associates	**2,804**	–
Research and development super-deduction	**(83,038)**	(68,954)
Income not subject to tax	**(128)**	(3,153)
Expenses not deductible for tax	**196,042**	273,087
Tax losses and temporary differences for which no deferred income tax assets were recognised or utilisation of losses in previous years	**(141,284)**	(17,693)
Tax charge for the year at the Group's effective rate	**24,649**	30,666

13. DIVIDEND

No dividend has been paid or declared by the Company and its subsidiaries during the year ended 31 December 2023.

14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year. In addition, following the share subdivision by 1:5 occurred on 8 March 2022 as described in note 35 (the "Share Subdivision"), the weighted average number of ordinary shares in issue was calculated taking into account the effect of the Share Subdivision and then was retrospectively adjusted as if the Share Subdivision had been in issue for the year ended 31 December 2022.

For the year ended 31 December 2023, the calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the convertible redeemable preferred shares, share options and restricted share units, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. For the year ended 31 December 2022, as the Group incurred loss during the year, the potential ordinary shares were not included in the calculation of diluted loss per share as the potential ordinary shares had an anti-dilutive effect.

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14. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

The calculation of basic and diluted earnings/(loss) per share is based on:

	2023 RMB'000	2022 RMB'000
Earnings/(losses)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic earnings/(losses) per share calculation	6,702,935	(2,136,173)
Fair value changes on convertible redeemable preferred shares	(6,465,354)	–
Profit/(loss) attributable to ordinary equity holders of the parent, used in the diluted earnings/(losses) per share calculation	237,581	(2,136,173)

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares (thousand) in issue during the year used in the basic earnings/(losses) per share calculation taking into account the effect of the Share Subdivision	322,264	144,151
Effect of dilution – weighted average number of ordinary shares:		
Convertible redeemable preferred shares (thousand)	451,929	–
Share options and restricted share units (thousand)	32,342	–
Total (thousand)	806,535	144,151

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2023							
At 1 January 2023:							
Cost	90,685	626,378	40,363	83,740	10,604	265,848	1,117,618
Accumulated depreciation and impairment	(5,567)	(375,124)	(26,015)	(37,569)	(2,311)	–	(446,586)
Net carrying amount	85,118	251,254	14,348	46,171	8,293	265,848	671,032
At 1 January 2023, net of accumulated depreciation and impairment	85,118	251,254	14,348	46,171	8,293	265,848	671,032
Additions	–	102,951	3,851	12,248	3,065	275,297	397,412
Acquisition of a subsidiary (note 38)	–	4,849	1,226	184	–	–	6,259
Disposals	–	(113)	(2,510)	(515)	(4,911)	(4,447)	(12,496)
Transfers	240,230	12,966	178	1	2	(255,389)	(2,012)
Depreciation provided during the year	(10,339)	(126,567)	(5,792)	(16,071)	(1,596)	–	(160,365)
Impairment provided during the year	–	(392)	(250)	–	–	–	(642)
At 31 December 2023, net of accumulated depreciation and impairment	315,009	244,948	11,051	42,018	4,853	281,309	899,188
At 31 December 2023							
Cost	330,915	750,128	41,536	93,469	7,434	281,309	1,504,791
Accumulated depreciation and impairment	(15,906)	(505,180)	(30,485)	(51,451)	(2,581)	–	(605,603)
Net carrying amount	315,009	244,948	11,051	42,018	4,853	281,309	899,188

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15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings *RMB'000*	Leasehold improvements *RMB'000*	Machinery *RMB'000*	Furniture and fixtures *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
31 December 2022							
At 1 January 2022:							
Cost	19,293	511,400	42,852	67,651	9,174	200,761	851,131
Accumulated depreciation and impairment	(2,673)	(249,296)	(28,638)	(29,175)	(2,206)	–	(311,988)
Net carrying amount	16,620	262,104	14,214	38,476	6,968	200,761	539,143
At 1 January 2022, net of accumulated depreciation and impairment	16,620	262,104	14,214	38,476	6,968	200,761	539,143
Additions	–	98,031	13,693	24,954	5,742	159,089	301,509
Disposals	–	(4,681)	(3,320)	(1,129)	(2,860)	–	(11,990)
Transfers	71,393	23,655	(1,046)	–	–	(94,002)	–
Depreciation provided during the year	(2,895)	(126,738)	(9,193)	(16,130)	(1,557)	–	(156,513)
Impairment provided during the year	–	(1,117)	–	–	–	–	(1,117)
At 31 December 2022, net of accumulated depreciation and impairment	85,118	251,254	14,348	46,171	8,293	265,848	671,032
At 31 December 2022:							
Cost	90,685	626,378	40,363	83,740	10,604	265,848	1,117,618
Accumulated depreciation and impairment	(5,567)	(375,124)	(26,015)	(37,569)	(2,311)	–	(446,586)
Net carrying amount	85,118	251,254	14,348	46,171	8,293	265,848	671,032

As at 31 December 2023, the application for the property ownership certificates for certain buildings with a net book value of approximately RMB97,968,000 (31 December 2022: nil) was still in progress.

16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group's leases consist of its self-operated stores, warehouses, distribution centers, office space and land use rights. The movements in right-of-use assets and lease liabilities during the year are as follows:

		2023 RMB'000	2022 RMB'000
(a)	Right-of-use assets		
	Carrying amount at beginning of year	467,714	517,581
	Additions	223,116	212,030
	Acquisition of a subsidiary (note 38)	25,158	–
	Depreciation charge	(196,336)	(203,390)
	Termination	(47,319)	(57,234)
	Impairment	(5,387)	(1,273)
	Carrying amount at end of year	466,946	467,714

		2023 RMB'000	2022 RMB'000
(b)	Lease liabilities		
	Carrying amount at beginning of year	340,330	431,252
	New leases	223,116	156,809
	Acquisition of a subsidiary (note 38)	25,158	–
	Accretion of interest recognised during the year	18,644	24,246
	Payments	(203,662)	(211,440)
	Termination	(47,426)	(60,537)
	Carrying amount at end of year	356,160	340,330
	Analysed into:		
	Current portion	132,320	136,595
	Non-current portion	223,840	203,735
	Maturity analysis:		
	Within 1 year	132,320	136,595
	1 to 2 years	109,821	84,890
	2 to 5 years	104,917	101,348
	More than 5 years	9,102	17,497
		356,160	340,330

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16. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

The amounts recognised in profit or loss in relation to leases are as follows:

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	18,644	24,246
Depreciation charge of right-of-use assets	196,336	203,390
Expense relating to short term leases	41,772	64,396
Variable lease payments not included in the measurement of lease liabilities	744	932
Termination of leases	(107)	(3,303)
Impairment of right-of-use assets	5,387	1,273
Total amount recognised in profit or loss	262,776	290,934

The Group's right-of-use assets held under the leases of its self-operated stores, warehouses, distribution centers, office space have terms ranging between two and ten years. The Group's right-of-use assets held under the lease of its land use rights have terms between twelve and fifty years. All the payments and all the lease liabilities are payable according to the lease term.

17. GOODWILL

	RMB'000
At 1 January 2022 and 31 December 2022	15,820
Acquisition of a subsidiary (note 38)	4,503
At 31 December 2023	20,323

17. GOODWILL (CONTINUED)

Impairment testing of goodwill

The carrying amount of goodwill allocated to the cash-generating unit ("CGU") for goodwill impairment testing is as follows:

	2023 RMB'000	2022 RMB'000
Xi'an Jushuohua Automobile Technology Co. Ltd. (Xi'an Jushuohua)	**14,789**	14,789
Xiangming (Shanghai) Automotive Technology Service Co., Ltd. (Shanghai Xiangming)	**1,031**	1,031
Guangzhou Changtu Automobile Technology Co., Ltd. (Guangzhou Changtu)	**4,503**	–
	20,323	15,820

The recoverable amounts of the CGU have been determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management covering a 5-year period. Key assumptions used in the calculation are as follows:

As at 31 December 2023

	Xi'an Jushuohua	Shanghai Xiangming	Guangzhou Changtu
Annual revenue growth rate for the 5-year period	**4.0%-20.0%**	**2.3%-30.0%**	**8.0-21.4%**
Gross profit rate	**61.5%**	**35.0%-51.0%**	**57.7%-59.5%**
Terminal growth rate	**2.2%**	**2.2%**	**2.2%**
Pre-tax discount rate	**22.91%**	**20.83%**	**22.91%**

As at 31 December 2022

	Xi'an Jushuohua	Shanghai Xiangming
Annual revenue growth rate for the 5-year period	2.3%-36.0%	2.3%-29.0%
Gross profit rate	60.5%-61.8%	32.4%-50.5%
Terminal growth rate	2.3%	2.3%
Pre-tax discount rate	21.17%	20.83%

The expected revenue growth rate and gross profit rates are determined by the management based on past performance and its expectation for market development. The discount rates used are before tax and reflect specific risks relating to the relevant units.

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18. OTHER INTANGIBLE ASSETS

	Licenses *RMB'000*	Software *RMB'000*	Total *RMB'000*
31 December 2023			
Cost at 1 January 2023, net of accumulated amortisation and impairment	43,101	26,874	69,975
Additions	–	2,009	2,009
Transfer	–	2,012	2,012
Acquisition	–	380	380
Amortisation provided during the year	(800)	(4,004)	(4,804)
Impairment during the year	(11,768)	–	(11,768)
At 31 December 2023	30,533	27,271	57,804
At 31 December 2023:			
Cost	43,768	38,301	82,069
Accumulated amortisation and impairment	(13,235)	(11,030)	(24,265)
Net carrying amount	30,533	27,271	57,804

18. OTHER INTANGIBLE ASSETS (CONTINUED)

	Licences *RMB'000*	Software *RMB'000*	Total *RMB'000*
31 December 2022			
At 1 January 2022:			
Cost	41,368	25,123	66,491
Accumulated amortisation and impairment	–	(3,378)	(3,378)
Net carrying amount	41,368	21,745	63,113
Cost at 1 January 2022, net of accumulated amortisation and impairment	41,368	21,745	63,113
Additions	2,400	8,884	11,284
Amortisation provided during the year	(667)	(3,206)	(3,873)
Disposals	–	(549)	(549)
At 31 December 2022	43,101	26,874	69,975
At 31 December 2022 and 1 January 2023:			
Cost	43,768	33,456	77,224
Accumulated amortisation and impairment	(667)	(6,582)	(7,249)
Net carrying amount	43,101	26,874	69,975

The licences included an insurance brokerage licence, which had an indefinite useful life and amounted to RMB29,600,000 as at 31 December 2023 (31 December 2022: RMB41,368,000). The Group performs impairment test of the insurance brokerage licence. The recoverable amount has been determined based on a fair value less costs to sell using the discounted cash flow method with cash flow projections from financial budgets approved by senior management covering a five-year period. RMB11,768,000 of impairment losses were recognised during the year. Key assumptions used in the calculation are as follows:

	2023	2022
Annual revenue growth rate for the five-year period	**2.2%-30.0%**	2.3%-60.0%
Gross profit rate	**38.7%-38.9%**	38.6%-38.9%
Terminal growth rate	**2.2%**	2.3%
Pre-tax discount rate	**18.72%**	18.80%

Management is of the opinion that a reasonably possible change in key assumptions would not cause the carrying amount of the licence to change significantly.

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19. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
At beginning of year	227,120	201,038
Additions	20,067	94,569
Fair value changes through profit or loss	(13,036)	(2,060)
Disposals	(43,108)	(66,427)
At end of year	191,043	227,120

The Group had investments in certain convertible redeemable preferred shares or ordinary shares with preferential rights issued by private investee companies. The above investments were classified as financial assets at fair value through profit or loss as the Group has not elected to recognise the fair value gain or loss through other comprehensive income or the investments are not qualified to be designated as financial assets at fair value through other comprehensive income.

20. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Share of net assets from joint ventures	208,580	115,375
Share of net assets from associates	154,032	163,694
Total	362,612	279,069

The following table illustrates the aggregate financial information of the Group's joint ventures that are not individually material:

	2023 RMB'000	2022 RMB'000
Share of the joint ventures' loss for the year	(1,555)	(2,985)
Share of the associates' loss for the year	(9,662)	(30,530)
Share of the joint ventures' total comprehensive income	(1,555)	(2,985)
Share of the associates' total comprehensive income	(9,662)	(30,530)
Aggregate carrying amount of the Group's investments in the associates	208,580	115,375
Aggregate carrying amount of the Group's investments in the joint ventures	154,032	163,694

20. INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

The directors are of the opinion that the losses from the associates were temporary and there were no significant negative indicators of the impairment in the investments in those joint ventures and associates during the years ended 31 December 2022 and 2023.

21. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2023 *RMB'000*	2022 *RMB'000*
Equity investments designated at fair value through other comprehensive income		
Listed equity investments, at fair value	**356,240**	289,312

The above equity investments were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

22. OTHER NON-CURRENT ASSETS

	2023 *RMB'000*	2022 *RMB'000*
Deposits	**19,440**	15,148
Prepayments	**36,960**	56,179
Others	**9,789**	16,498
Total	**66,189**	87,825

Prepayments included in other non-current assets represent prepayments for property, plant and equipment and prepayments for financial and equity investments.

23. INVENTORIES

	2023 *RMB'000*	2022 *RMB'000*
Commodities	**1,799,796**	1,542,547

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24. TRADE RECEIVABLES

	2023 *RMB'000*	2022 *RMB'000*
Trade receivables	**233,417**	188,976
Impairment	**(15,238)**	(15,245)
Net carrying amount	**218,179**	173,731

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of loss allowance, is as follows:

	2023 *RMB'000*	2022 *RMB'000*
Within 1 month	**184,535**	97,911
2 to 3 months	**19,586**	44,354
4 to 6 months	**11,561**	22,988
7 to 12 months	**2,497**	8,478
Total	**218,179**	173,731

The movements in the loss allowance for impairment of trade receivables are as follows:

	2023 *RMB'000*	2022 *RMB'000*
At beginning of year	**15,245**	12,617
Impairment losses, net	**(7)**	2,628
At end of year	**15,238**	15,245

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days invoiced for groupings of various customer segments with similar loss patterns (by customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

24. TRADE RECEIVABLES (CONTINUED)

The Group writes off trade receivables when there is information indicating that the counterparty is in severe financial difficulties and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner, also taking into account legal advice where appropriate.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2023

	Within 3 months	4 to 6 months	7 to 12 months	Over 1 year	Total
Expected credit loss rate	**2.17%**	**3.39%**	**3.46%**	**100.00%**	**6.53%**
Gross carrying amount (RMB'000)	**188,636**	**20,274**	**14,562**	**9,945**	**233,417**
Expected credit losses (RMB'000)	**4,101**	**688**	**504**	**9,945**	**15,238**

As at 31 December 2022

	Within 3 months	4 to 6 months	7 to 12 months	Over 1 year	Total
Expected credit loss rate	2.39%	3.51%	3.67%	100.00%	8.07%
Gross carrying amount (RMB'000)	145,748	23,825	8,801	10,602	188,976
Expected credit losses (RMB'000)	3,483	837	323	10,602	15,245

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	2023 RMB'000	2022 RMB'000
Prepayments	(a)	**169,480**	157,637
Deposits and other receivables	(b)	**102,949**	127,610
Value-Added Tax ("VAT") recoverable	(c)	**220,129**	148,157
Loans receivable	(d)	**1,348**	22,727
Receivable from employees	(e)	**3,813**	3,070
		497,719	459,201
Impairment allowance		**(1,619)**	(2,944)
Total		**496,100**	456,257

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25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

Notes:

(a) Prepayments represent advances to certain major suppliers for the purchase of goods or services.

(b) Deposits and other receivables mainly represent lease deposits and deposits with suppliers. Deposits and other receivables are non-interest-bearing and trade in nature.

(c) VAT recoverable is mainly due to the input tax to be deducted arising from procurements, installation service fees, warehousing and logistics fees and lease payments, etc.

(d) Loans receivable represents loans to related parties, equity investees and others. The loans receivable bears interest rate ranging from nil to 12% per annum.

(e) Receivables from employees mainly represent the temporary fund provided to the managers of self-operated stores for miscellaneous purchases of tools, materials and office supplies and the temporary fund provided to marketing personnel for miscellaneous offline promotion activities.

Except for certain loss allowance provided for loans receivable and other receivables, the financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts.

26. TREASURY INVESTMENTS

	2023 ***RMB'000***	2022 *RMB'000*
Long-term treasury investments at		
– Amortised cost	**1,065,260**	–
Short-term treasury investments at		
– Amortised cost	**354,135**	514,115
– Fair value through profit or loss	**1,232,991**	25,921
	1,587,126	540,036

Treasury investments at amortised cost were primarily fixed rate debt instruments and time deposits with initial terms of more than three months. Treasury investments at fair value through profit or loss were mainly wealth management products issued by commercial banks.

27. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents

	2023 *RMB'000*	2022 *RMB'000*
Cash at banks and on hand	1,270,354	2,247,583
Time deposits with original maturities within three months	1,444,931	438,770
	2,715,285	2,686,353
Cash and cash equivalents are denominated in the following currencies		
RMB	908,581	951,463
US$	1,806,704	1,734,890
	2,715,285	2,686,353

Restricted cash

	2023 *RMB'000*	2022 *RMB'000*
Restricted for bills payable	1,053,691	1,094,947
Restricted for letters of guarantee	374,982	363,352
Restricted for others	33,921	49,026
	1,462,594	1,507,325
Restricted cash are denominated in the following currencies		
RMB	1,345,729	1,298,387
US$	116,865	208,938
	1,462,594	1,507,325

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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27. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (CONTINUED)

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

The restricted cash for bills payable is operating in nature when it is designated to settle the bills payable upon maturity, otherwise it is financing in nature.

28. TRADE AND BILLS PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables	**965,351**	808,085
Bills payable	**2,921,405**	2,311,239
Total	**3,886,756**	3,119,324

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**2,914,437**	2,392,343
3 to 6 months	**963,231**	705,200
6 to 12 months	**2,164**	13,890
Over 1 year	**6,924**	7,891
Total	**3,886,756**	3,119,324

The trade and bills payables are non-interest-bearing. Trade payables are normally settled on 30-day to 90-day terms. Bills payable generally have a longer payment term of 3 to 6 months.

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29. OTHER PAYABLES AND ACCRUALS

	2023 *RMB'000*	2022 *RMB'000*
Other tax payable	**304,673**	307,283
Payroll and welfare payable	**588,024**	539,397
Accrual and other payables	**826,808**	719,330
Total	**1,719,505**	1,566,010

Other payables and accruals were trade in nature, non-interest-bearing and repayable on demand.

30. CONTRACT LIABILITIES

	2023 *RMB'000*	2022 *RMB'000*
Current:		
Automotive products and services	**573,911**	472,609
Franchise services	**168,756**	180,436
	742,667	653,045
Non-current:		
Franchise services	**58,777**	60,268

Contract liabilities of the Group mainly arise from the advance payments received from customers for automotive products and services, and deferred upfront franchise fees from franchised stores.

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31. INTEREST-BEARING BORROWINGS

	2023		
	Effective interest rate (%)	**Maturity**	***RMB'000***
Current			
Bank loans – unsecured	**3.30**	**2025**	**1,009**
Non-current			
Bank loans – unsecured	**3.30**	**2025**	**7,500**
			8,509

The carrying amounts of borrowings are denominated in the following currencies:

	2023 ***RMB'000***	2022 *RMB'000*
RMB	**8,509**	–

An analysis of the carrying amounts of borrowings by type of interest rate is as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Variable interest rate	**8,509**	–

	2023 ***RMB'000***	2022 *RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	**1,009**	–
In the second year	**7,500**	–
Total	**8,509**	–

32. CONVERTIBLE REDEEMABLE PREFERRED SHARES

On 31 October 2019, the Company was restructured (the "Reorganisation") in order to establish the Company as the parent company. On 31 October 2019, in conjunction with the Reorganisation, the Company issued the Series Seed, Series A, Series B, Series C-1, Series C-2, Series C-3, Series D-1, Series D-2, Series E-1, Series E-2, Series E-3 and Series E-4 preferred shares (collectively, the "Reorganisation Preferred Shares") to existing preferred shareholders of Shanghai Lantu to replace their preferred share interests in Shanghai Lantu. The following table provides key information of each series of the Reorganisation Preferred Shares outstanding on the Reorganisation Date.

Preferred Shares	**Number of shares**
Series Seed convertible preferred shares ("Series Seed Preferred Shares")	2,242,396
Series A convertible redeemable preferred shares ("Series A Preferred Shares")	3,324,228
Series B convertible redeemable preferred shares ("Series B Preferred Shares")	6,873,513
Series C-1 convertible redeemable preferred shares ("Series C-1 Preferred Shares")	2,579,568
Series C-2 convertible redeemable preferred shares ("Series C-2 Preferred Shares")	6,684,368
Series C-3 convertible redeemable preferred shares ("Series C-3 Preferred Shares")	8,928,374
Series D-1 convertible redeemable preferred shares ("Series D-1 Preferred Shares")	5,707,296
Series D-2 convertible redeemable preferred shares ("Series D-2 Preferred Shares")	7,146,360
Series E-1 convertible redeemable preferred shares ("Series E-1 Preferred Shares")	12,288,896
Series E-2 convertible redeemable preferred shares ("Series E-2 Preferred Shares")	6,125,137
Series E-3 convertible redeemable preferred shares ("Series E-3 Preferred Shares")	18,173,211
Series E-4 convertible redeemable preferred shares ("Series E-4 Preferred Shares")	994,030
Total	81,067,377

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32. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

The following table provides key information for each series of preferred shares issued after the Reorganisation.

	Issuance date	Number of shares	Issue price per share *US$*	Cash consideration *US$'000*
Series A Preferred Shares	18 November 2019	5,009,050	14.94	74,818
Series C-2 Preferred Shares	18 November 2019	333,301	15.05	5,016
Series C-3 Preferred Shares	14 July 2020	1,121,233	16.22	18,186
Series D-1 Preferred Shares	18 November 2019	629,804	14.94	9,407
Series D-2 Preferred Shares	18 November 2019	519,603	15.05	7,819
Series E-2 Preferred Shares	18 November 2019	616,537	16.22	10,000
Series E-2 Preferred Shares	8 February 2021	176,812	20.99	3,711
Series F Preferred Shares	18 November 2019	18,206,100	16.50	300,348
Series F-2 Preferred Shares	8 February 2021	10,792,861	25.57	275,944
Series F-3 Preferred Shares	29 June 2021	4,627,476	27.38	126,708

As described in note 35, on 8 March 2022, each existing issued and unissued authorised share of the Company with a par value of US$0.0001 each, including the preferred shares above, was subdivided into five shares of the corresponding class or series with a par value of US$0.00002 each.

The Reorganisation Preferred Shares and preferred shares issued after the Reorganisation are collectively referred to as the "Preferred Shares". The following is a summary of the significant terms of the Preferred Shares:

Conversion rights

Each holder of the Preferred Shares has the right, at each holder's sole discretion, to convert at any time and from time to time, all or any portion of the Preferred Shares into Class A ordinary shares. The initial conversion price is the stated issuance price for each series of Preferred Shares. The initial conversion ratio for each series of Preferred Shares is on a one for one basis and subject to adjustments in the event of share splits, reverse share splits, share dividends and distribution, or any capital reorganisation or reclassification of the ordinary shares. The Preferred Shares are automatically converted into Class A ordinary shares immediately upon the closing of a Qualified IPO. The conversion ratio was one Preferred Share convertible into one Class A ordinary share.

Voting rights

Each holder of the Preferred Shares has voting rights equivalent to the number of ordinary shares into which the Preferred Shares could then be converted. The holders of the Preferred Shares and Class A ordinary shares should vote together as a single class, with respect to any matter upon which the holders of the ordinary shares have the right to vote.

32. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

Dividend rights

The holders of the Preferred Shares are entitled to receive dividends at the same rate as for the holders of the ordinary shares on an as converted basis when, as, and if declared by the board of directors. No dividends were declared during the year.

Redemption rights

All of the Preferred Shares other than the Series Seed Preferred Shares are redeemable at the holders' option at any time upon the occurrence of the following events: (i) the Company fails to complete a Qualified IPO before 29 June 2025; or any of the following events (the "Redemption Events"); (ii) the Company and management materially breach the agreements entered into with the preferred shareholders or the articles of association; (iii) any fraud, negligence, intentional misconduct, violation of laws and regulations or breach of the shareholder agreements by the Company and management; (iv) the chief executive officer resigns as management for more than three consecutive months; (v) the Preferred Shareholders other than the Series Seed Preferred Shareholders have requested the Company to redeem its shares or (vi) the Reorganisation has not been completed upon expiry of six months after the reorganisation agreements becoming invalid due to any governmental order or court decision.

The redemption price of each of the Preferred Shares other than the Series Seed Preferred Shares is calculated at an amount equal to (a) the original issue price or deemed issue price as applicable, plus (b) an interest of 15% per annum calculated from the original issue date through the date on which the preferred shares are required to be redeemed, plus (c) all declared but unpaid dividends on such share. The Series Seed Preferred Shares are not redeemable but have a liquidation preference as indicated below.

Pursuant to the shareholders' resolution approved on 29 June 2023, the redemption rights shall cease to be exercisable immediately before the first filing of the listing application by the Company with The Stock Exchange of Hong Kong Limited, and shall resume to be exercisable in accordance with above terms upon the earliest of (i) the listing application being withdrawn, rejected or returned; (ii) the listing application being lapsed but not renewed by the Company within three months; or (iii) 31 December 2023 if no Qualified IPO has been consummated by then (with the original redemption event and date unchanged).

Registration rights

All the Preferred Shareholders have the following registration rights:

32. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

Registration rights (Continued)

(a) *Demand registration rights*

Registration other than on Form F-3

At any time after the earlier of (i) 29 June 2026 and (ii) the expiry of 180 days following an initial public offering, holders holding 10% or more of the outstanding registrable securities held by all holders may make a written request to the Company to register, and the Company shall use its best efforts to cause the registrable securities to be registered and/or qualified for sale and distribution, under the Securities Act the number of registrable securities specified in the requests, provided, however, that the Company shall not be obligated to effect more than two registrations.

Registration on Form F-3

The Company shall use its best efforts to qualify for registration on Form F-3. If the Company qualifies for registration on Form F-3, any holder is entitled to request the Company to register, so long as such registration offerings are in excess of US$5,000,000, and the Company shall cause the registrable securities to be registered and/or qualified for sale and distribution, under the Securities Act on Form F-3 the number of registrable securities specified in the requests. However, the Company shall not be required to effect more than three registrations.

(b) *Piggyback registration rights*

If the Company proposes to register for its own account any equity securities, or for the account of any holder of equity securities, other than a holder of the registrable securities, in connection with the public offering of such securities, the Company shall register the registrable securities requested by the holders to be registered.

The Company is required to use its best efforts to affect the registration if requested by the Preferred Shareholders, but the provisions of the registration rights do not stipulate the consequences of non-performance if the Company made its best efforts to effect registration nor any requirement to pay any monetary or non-monetary consideration for non-performance. The registration rights shall terminate on the earlier of (i) the fifth anniversary of the closing of a Qualified IPO, and (ii) with respect to any security holder, the date on which such holder may sell all of its registrable securities under Rule 144 of the Securities Act in any 90-day period.

32. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

Liquidation preference

Upon the voluntary or involuntary liquidation, winding up or dissolution of the Company, or any deemed liquidation event (the "Liquidation Events"), the assets of the Company legally available for distribution will be distributed as follows:

Each holder of the Series F-3 Preferred Shares is entitled to receive, on a pari passu basis, an amount equal to 120% of the original issue price, plus all declared but unpaid dividends in preference to any distribution to the holders of the Series F-2, Series F, Series E-4, Series E-3, Series E-2, Series E-1, Series D-2, Series D-1, Series C-3, Series C-2, Series C-1, Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of the Series F-3 Preferred Shares, the remaining assets of the Company available for distribution shall be distributed to the holders of the Series F-2 Preferred Shares, on a pari passu basis, with an amount equal to 120% of the deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of the Series F, Series E-3, Series E-2, Series E-1, Series D-2, Series D-1, Series C-3, Series C-2, Series C-1, Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of the Series F-2 Preferred Shares, the remaining assets of the Company available for distribution shall be distributed the holders of the Series F Preferred Shares, on a pari passu basis, with an amount equal to 120% of the deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of the Series E-3, Series E-2, Series E-1, Series D-2, Series D-1, Series C-3, Series C-2, Series C-1, Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of the Series F Preferred Shares, the remaining assets of the Company available for distribution shall be distributed to the holders of the Series E-4 Preferred Shares, on a pari passu basis, with an amount equal to 120% of the deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of the Series E-3, Series E-2, Series E-1, Series D-2, Series D-1, Series C-3, Series C-2, Series C-1, Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of the Series E-4 Preferred Shares, the remaining assets of the Company available for distribution will be distributed to the holders of the Series E-3 Preferred Shares, on a pari passu basis, with an amount equal to 120% of the deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of Series E-2, Series E-1, Series D-2, Series D-1, Series C-3, Series C-2, Series C-1, Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

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32. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

Liquidation preference (Continued)

After the payment to the holders of the Series E-3 Preferred Shares, the remaining assets of the Company available for distribution will be distributed to the holders of the Series E-2 and/or Series E-1 Preferred Shares, on a pari passu basis, with an amount equal to 120% of the deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of the Series D-2, Series D-1, Series C-3, Series C-2, Series C-1, Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of the Series E-2 and E-1 Preferred Shares, the remaining assets of the Company available for distribution will be distributed to the holders of the Series D-2 and/or Series D-1 Preferred Shares, on a pari passu basis, with an amount equal to 120% of the deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of the Series C-3, Series C-2, Series C-1, Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of the Series D-2 and Series D-1 Preferred Shares, the remaining assets of the Company available for distribution will be distributed to the holders of the Series C-3, Series C-2 and Series C-1 Preferred Shares, on a pari passu basis, with an amount equal to 130% of the deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of the Series B, Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of Series C-3, Series C-2 and Series C-1 Preferred Shares, the remaining assets of the Company available for distribution will be distributed to the holders of the Series B Preferred Shares, on a pari passu basis, with an amount equal to 130% of the deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of the Series A and Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of Series B Preferred Shares, the remaining assets of the Company available for distribution will be distributed to the holders of the Series A Preferred Shares, on a pari passu basis, with an amount equal to 150% of the deemed issue price plus all declared but unpaid dividends in preference to any distribution to the holders of the Series Seed Preferred Shares and the ordinary shareholders of the Company.

After the payment to the holders of the Series A Preferred Shares, the remaining assets of the Company available for distribution will be distributed to the holders of the Series Seed Preferred Shares, on a pari passu basis, with an amount equal to the deemed issue price in preference to any distribution to the ordinary shareholders of the Company.

32. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

Liquidation preference (Continued)

After payment has been made to the holders of the Preferred Shares in accordance with the above, the remaining assets of the Company available for distribution to shareholders shall be distributed ratably among the holders of ordinary shares and the Preferred Shares based on the number of ordinary shares into which such Preferred Shares are convertible.

Each of the following events shall also be treated as a liquidation event: (a) the voluntary or involuntary liquidation under any applicable bankruptcy, insolvency or reorganisation legislation or the dissolution or winding up of the Group operating all or substantially all the businesses taken as a whole, (b) any appointment of an administrator or a receiver over all or substantially all assets of the Group taken as a whole, (c) a trade sale (including any approved sale, proposed sale or qualified sale), (d) cessation of operating all or substantially all of the businesses by the Group taken as a whole due to the Group's incurrence of serious or substantial losses, and (e) cessation of operating all or substantially all of the businesses by the Group taken as a whole due to reasons other than the Group's incurrence of serious or substantial losses, and it shall be determined by all investors in writing that the situation set forth in (e) shall be deemed as a liquidation event.

Modification

Upon the issuance of the Series F Preferred Shares, the redemption term of any previously issued series of preferred shares was modified to be the same as the Series F Preferred Shares' redemption term.

The movements of the convertible redeemable preferred shares are set out below:

	2023 *RMB'000*	2022 *RMB'000*
At beginning of year	**21,726,488**	18,609,227
Changes in fair value	**(6,465,354)**	1,339,273
Currency translation differences	**554,011**	1,777,988
Conversion into ordinary shares	**(15,815,145)**	–
At end of year	**–**	21,726,488

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32. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

As at 31 December 2022, the Group has used the discounted cash flow method to determine the underlying equity value of the Company and adopted the equity allocation model to determine the fair value of the Preferred Shares. Key assumptions are set out below:

	2022
Discount rate	15.00%
Risk-free interest rate	4.57%-4.60%
DLOM	7.68%
Volatility	37.05%-38.03%

The discount rate was estimated by the weighted average cost of capital as of the valuation date. The Group estimated the risk-free interest rate based on the yield of US Treasury Strips. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of a put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the discount for lack of marketability. Volatility was estimated based on annualised standard deviation of daily stock price return of comparable companies for a period from the valuation date and with a similar time span to expiration.

On 26 September 2023, the Company has been successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited and made an offering of 42,444,800 Class A ordinary shares (excluding any Class A ordinary shares issued pursuant to the exercise of the over-allotment option) at a price at HK$28.00 per share. All Preferred Shares were converted into Class A ordinary shares upon completion of the IPO on 26 September 2023. The fair value of each Preferred Share on the conversion date is the Offer Price in the Global Offering.

Changes in fair value of Preferred Shares were recorded in "fair value changes of convertible redeemable preferred shares". Management considered that fair value changes in the Preferred Shares that are attributable to changes of credit risk of this liability are not significant.

33. DEFERRED TAX

Deferred tax assets have not been recognised in respect of the following items:

	2023 *RMB'000*	2022 *RMB'000*
Tax losses	**263,313**	369,682
Deductible temporary differences	**222,083**	256,998
	485,396	626,680

The Group had tax losses of RMB1,060,822,000 at 31 December 2023 (2022: RMB1,478,727,000), mainly arising from subsidiaries in Chinese Mainland. The tax losses of subsidiaries in Chinese Mainland will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that enough taxable profits will be available against which the tax losses can be utilised.

The movements in deferred tax liabilities during the reporting period are as follows:

	Revaluation of assets on acquisition *RMB'000*
As at 1 January 2023 and 31 December 2022	10,333
Deferred tax credited to profit or loss	(2,942)
As at 31 December 2023	**7,391**

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 10% for the Group.

At 31 December 2023, no deferred tax has been recognised for withholding taxes as the Group's subsidiaries incorporated in Chinese Mainland have no such earnings for distribution to their intermediate holding company incorporated in Hong Kong from 1 January 2008.

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34. OTHER NON-CURRENT LIABILITIES

	2023 RMB'000	2022 RMB'000
Deposits from franchises and partner stores	**406,505**	397,657

35. SHARE CAPITAL

Shares

	2023 RMB'000	2022 RMB'000
Issued and fully paid:		
Class A ordinary shares	**108**	11
Class B ordinary shares	**10**	10
	118	21

The movements in share capital are as follows:

	Notes	Number of shares in issue			Share capital
		Class A ordinary shares	Class B ordinary shares	Total	Share capital RMB '000
At 1 January 2022		15,040,228	13,789,916	28,830,144	21
Share Subdivision by 1:5	(a)	60,160,912	55,159,664	115,320,576	–
At 31 December 2022 and 1 January 2023		75,201,140	68,949,580	144,150,720	21
Issue of shares from initial public offering	(b)	42,444,800	–	42,444,800	6
Conversion of Preferred Shares to ordinary shares	(c)	615,500,770	–	615,500,770	88
Exercise of the over-allotment option	(d)	4,521,000	–	4,521,000	1
Grant of restricted shares	(e)	12,275,149	–	12,275,149	2
At 31 December 2023		**749,942,859**	**68,949,580**	**818,892,439**	**118**

35. SHARE CAPITAL (CONTINUED)

Shares (Continued)

Notes:

(a) On 8 March 2022, pursuant to the shareholders' resolution, each existing issued and unissued authorised share of the Company with a par value of US$0.0001 each, including both ordinary shares and preferred shares, was subdivided into five shares of the corresponding class or series with a par value of US$0.00002 each.

(b) On 26 September 2023, the Company successfully completed the IPO on The Stock Exchange of Hong Kong Limited. The Company issued 42,444,800 Class A ordinary shares at the offering price of HK$28.00 per share.

(c) Upon completion of the IPO, each issued Preferred Share was converted into one Class A ordinary share by re-designation and reclassification of every Preferred Share in issue as a Class A ordinary share on a one for one basis pursuant to the shareholder's resolution approved on 7 September 2023. As a result, the financial liabilities for Preferred Shares were derecognised and recorded as share capital and share premium.

(d) On 25 October 2023, 4,521,000 over-allotment ordinary shares of par value of US$0.00002 each were issued at a price of HK$28.00 per share. The proceeds of US$90 (equivalent to approximately RMB1,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately US$16,181,000 (equivalent to approximately RMB116,153,000) before listing expenses were credited to the share premium account.

(e) On 26 September 2023, 12,275,149 Class A ordinary shares of par value of US$0.00002 each were granted to Mr. Chen Min as restricted shares pursuant to the 2019 Share Incentive Plan. Details are included in note 37 to the financial statements.

36. RESERVES/(DEFICITS)

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

(a) Share premium

The share premium represents the difference between the par value of the shares issued and the consideration received.

(b) Capital reserve

The capital reserve represents (i) the capital contributions from the then equity holders of the Group's subsidiaries, after elimination of investments in subsidiaries and (ii) the waiver of an amount due to a related party. Details of the movements in capital reserve are set out in the consolidated statement of changes in equity.

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36. RESERVES/(DEFICITS) (CONTINUED)

(c) Share-based payment reserve

The share-based payment reserve comprises the fair value of share options granted, as further explained in the accounting policy for share-based payments in note 2 to the financial statements.

(d) Fair value reserve of financial assets at fair value through other comprehensive income

The Group irrevocably elected to recognise changes in the fair value of certain equity investments in other comprehensive income.

(e) Exchange fluctuation reserve

The exchange fluctuation reserve is used to record exchange differences arising from the translation of the financial statements of entities of which the functional currency is not RMB.

37. SHARE-BASED PAYMENTS

2019 Share Incentive Plan

On 31 October 2019, the Company's shareholders and the board of directors approved the 2019 Share Incentive Plan (the "2019 Plan") with a maximum aggregate number of 5,596,271 ordinary shares that are authorised to be issued under the 2019 Plan. The Company's shareholders and board of directors subsequently approved to increase the share award pool under the 2019 Plan to 18,747,437 ordinary shares. Eligible participants of the 2019 Plan include the directors, consultants and employees of the Group. The 2019 Plan has a contractual term of ten years. The 2019 Plan replaced options granted under a previous plan on 31 October 2019 (the "Modification Date") on a one for one basis.

Upon the adoption of the 2019 Plan, the exercise price was modified from RMB1 to US$0.0001 per share, and the terms and conditions were modified such that the grantee can only exercise vested options upon the earlier of (i) the completion of the Company's IPO and lapse of the applicable lock-up period; and (ii) the consummation of a trade sale of the Company (liquidation, consolidation, merger or other business combination of the Company). The cost of the original award was recognised as if it had not been modified. The incremental fair value would be recognised over the period from the date of modification to the date of vesting for the modified instruments.

In addition, all the new grants under the 2019 Plan are also subject to the afore mentioned performance condition.

The majority of the outstanding share options granted to directors and employees will become vested in four equal tranches of 25% over a period of four years. Certain share options granted to employees of the Group will become vested in five tranches over a period of five years. The share options granted to the consultants of the Group will become vested in two equal tranches of 50% over a period of two years.

37. SHARE-BASED PAYMENTS (CONTINUED)

2019 Share Incentive Plan (continued)

The following share options were outstanding under the 2019 Plan during the year:

Share options granted to directors and employees

	Weighted average exercise price US$ per share	Number of share options *'000*
At 1 January 2022		8,132
Forfeited before Share Subdivision	0.00010	(116)
Share Subdivision by 1:5	0.00002	32,064
Granted after the Share Subdivision	0.00002	6,134
Forfeited after the Share Subdivision	0.00002	(2,700)
At 31 December 2022	0.00002	43,514
Exercisable as of 31 December 2022		–
At 1 January 2023		**43,514**
Granted during the year	**0.00002**	**2,133**
Forfeited during the year	**0.00002**	**(4,900)**
At 31 December 2023	**0.00002**	**40,747**
Exercisable as of 31 December 2023		**26,205**

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37. SHARE-BASED PAYMENTS (CONTINUED)

2019 Share Incentive Plan (continued)

Share options granted to consultants

	Weighted average exercise price US$ per share	Number of share options *'000*
At 1 January 2022		222
Share Subdivision by 1:5	0.00002	888
Granted after the Share Subdivision	0.00002	1,434
Forfeited after the Share Subdivision	0.00002	(352)
At 31 December 2022	0.00002	2,192
Exercisable as of 31 December 2022		–
At 1 January 2023		**2,192**
Forfeited during the year	**0.00002**	**(164)**
At 31 December 2023	**0.00002**	**2,028**
Exercisable as of 31 December 2023		**2,028**

The fair value of equity-settled share options granted was estimated as at the date of grant to employees and at the date the consultants rendering services using a binomial model, taking into account the terms and conditions upon which the options were granted, including the share options granted to the consultants as the fair value of the services received cannot be reliably estimated. The following table lists the key assumptions that the model used:

	2023	2022
Dividend yield	**0%**	0%
Expected volatility	**36.31%-36.41%**	35%
Risk-free interest rate	**3.81%-4.18%**	2.94%-4.00%
Expected exercise multiple	**2.50**	2.50
Ordinary share price at grant date (US$ per share)	**3.77-4.44**	4.20-4.38

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The weighted average fair value of the share options at the grant date was RMB30.28 during the year ended 31 December 2023 (2022: RMB30.22).

37. SHARE-BASED PAYMENTS (CONTINUED)

2019 Share Incentive Plan (continued)

Restricted shares granted to the chief executive

On 26 September 2023, 12,275,149 of the Class A ordinary shares were issued to Mr. Chen Min as restricted shares pursuant to the 2019 Share Incentive Plan and will be released from the transfer restrictions if the consolidated gross profit of the Company for any period of twelve months reaches RMB13,000,000,000 (the "Financial Condition"). Before the Financial Condition is met, Mr. Chen Min shall not transfer, sell, pledge or in any way dispose of the interest in such Class A ordinary shares. After such Class A ordinary shares are issued but before the Financial Condition is met, the Company shall not repurchase such Class A ordinary shares from Mr. Chen Min, unless (i) Mr. Chen Min no longer holds the position of chief executive officer or Director, (ii) Mr. Chen Min no longer is employed by the Company, (iii) Mr. Chen Min commits gross misconduct as specified under the employees' manual of the Company, or (iv) upon the occurrence of any of the events as set out under Rule 8A.17 of the Listing Rules. The Company shall repurchase such Class A ordinary shares at their nominal value of US$0.00002 per share upon the occurrence of the foregoing events.

As of 31 December 2023, the Group did not recognise any compensation expenses for shares granted to Mr. Chen Min, because the Group considers it is not probable that the performance-based vesting conditions will be satisfied as of 31 December 2023. Therefore, there were unrecognised compensation expenses of RMB315,407,000 related to the restricted shares granted under the 2019 Plan as of 31 December 2023.

At the date of approval of these financial statements, the Company had 42,775,000 share options outstanding under the 2019 Plan, which represented approximately 5.2% of the Company's shares in issue as at that date.

Post-IPO Share Scheme

On 7 September 2023, the Company's shareholders and the board of directors approved the Post-IPO Share Scheme (the "Post-IPO Plan") with a maximum aggregate number of 48,862,286 ordinary shares that are authorised to be issued under the Post-IPO Plan. Eligible participants of the Post-IPO Plan include the directors and employees of the Group and associates and consultants of the Group. The Post-IPO Plan has a contractual term of ten years.

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37. SHARE-BASED PAYMENTS (CONTINUED)

Post-IPO Share Scheme (Continued)

Share options granted to directors and employees

	Weighted average exercise price HK$ per share	Number of share options '000
At 1 January 2023		–
Granted during the year	33	5,659
At 31 December 2023	33	5,659
Exercisable as of 31 December 2023		–

The weighted average fair value of the share options at the grant date was RMB12.05 during the year ended 31 December 2023.

The fair value of equity-settled share options granted was estimated as at the date of grant to directors and employees using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the key assumptions that the model used:

	2023
Dividend yield	0%
Expected volatility	36.62%
Risk-free interest rate	4.22%
Expected exercise multiple	2.50
Ordinary share price at grant date (HK$ per share)	33.0

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

37. SHARE-BASED PAYMENTS (CONTINUED)

Post-IPO Share Scheme (Continued)

RSUs granted to directors and employees

	Weighted average exercise price HK$ per share	Number of RSUs '000
At 1 January 2023		–
Granted during the year	–	3,297
At 31 December 2023	–	3,297
Exercisable as of 31 December 2023		–

The fair value of RSUs granted was estimated as at the date of grant to directors and employees using the share price of the Company at that date. The weighted average fair value of the RSUs at the grant date was RMB30.04 during the year ended 31 December 2023.

At the date of approval of these financial statements, the Company had 9,645,684 share options and RSUs outstanding under the Post-IPO Share Scheme, which represented approximately 1.2% of the Company's shares in issue as at that date.

Subsequent to the end of the reporting period, on 1 January 2024, a total of 914,599 restricted shares units were granted to certain of the employees of the Company in respect of their services to the Group in the forthcoming year. The total vesting periods for the restricted share units are 47 to 48 months and these restricted share units have no exercise price. The share price of the Company at the grant date was HK$28.10 per share.

The Group recognised share-based payment expenses of RMB166,302,000 (2022: RMB200,571,000) in relation to the share options and RSUs granted to directors and employees during the year, and share-based payment expenses of RMB35,327,000 during the year in relation to the share options granted to consultants (2022: RMB18,768,000).

38. BUSINESS COMBINATION

On 1 November 2022, Shanghai Tuju entered into an agreement to purchase 82.98% equity interests in Guangzhou Changtu Automobile Technology Co., Ltd. ("Guangzhou Changtu") from third parties with a total consideration of RMB26,000,000, of which RMB15,872,000 was prepaid during the year ended 31 December 2022.

On 5 June 2023, Shanghai Tuju acquired 68.9% equity interests of Guangzhou Changtu and obtained control over Guangzhou Changtu. The consideration allocated to the 68.9% equity interests was RMB21,588,000 with RMB128,000 paid during the year.

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38. BUSINESS COMBINATION (CONTINUED)

The fair values of the identifiable assets and liabilities of Guangzhou Changtu as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000*
Property, plant and equipment	6,259
Right-of-use assets	25,158
Other intangible assets	380
Inventories	780
Trade receivables	947
Prepayments, other receivables and other assets	4,197
Financial assets at fair value through profit or loss	730
Cash and cash equivalents	31,239
Trade payables	(1,162)
Other payables and accruals	(4,583)
Contract liabilities	(4,859)
Lease liabilities	(25,158)
Interest-bearing borrowings	(9,064)
Total identifiable net assets at fair value	24,864
Non-controlling interests	(7,779)
Goodwill on acquisition	4,503
Satisfied by cash	21,588

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

Cash consideration paid	(128)
Cash and cash equivalents acquired	31,239
Net inflow of cash and cash equivalents included in cash flows from investing activities	31,111

On 9 November 2023, Shanghai Tuju purchased an equity interest of 10.1% from the non-controlling interests with a consideration of RMB4,412,000. The consideration was paid during the year ended 31 December 2023.

38. BUSINESS COMBINATION (CONTINUED)

Since the acquisition, Guangzhou Changtu contributed RMB35,841,000 to the Group's revenue and contributed a loss of RMB4,242,000, which had been netted off by the consolidated profit for the year ended 31 December 2023.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been RMB13,626,534,000 and RMB6,696,903,000, respectively.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB223,116,000 (2022: RMB156,809,000), in respect of lease arrangements for plant and equipment.

(b) Changes in liabilities arising from financing activities

2023

	Interest-bearing borrowings *RMB'000*	Lease liabilities *RMB'000*	Convertible redeemable preferred shares *RMB'000*
At 1 January 2023	–	(340,330)	(21,726,488)
Changes from financing cash flows	734	203,662	
Fair value changes of convertible redeemable preferred shares	–	–	6,465,354
Conversion of convertible redeemable preferred shares to ordinary shares	–	–	15,815,145
New leases		(223,116)	–
Acquisition of a subsidiary (note 38)	(9,064)	(25,158)	–
Interest expense (note 8)	(179)	(18,644)	–
Termination of lease contracts	–	47,426	–
Exchange realignment	–	–	(554,011)
At 31 December 2023	(8,509)	(356,160)	–

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Changes in liabilities arising from financing activities (Continued)

2022

	Interest-bearing borrowings *RMB'000*	Lease liabilities *RMB'000*	Convertible redeemable preferred shares *RMB'000*
At 1 January 2022	(264,000)	(431,252)	(18,609,227)
Changes from financing cash flows	264,000	211,440	–
Fair value changes of convertible redeemable preferred shares	–	–	(1,339,273)
New leases	–	(156,809)	–
Interest expense (note 8)	–	(24,246)	–
Termination of lease contracts	–	60,537	–
Exchange realignment	–	–	(1,777,988)
At 31 December 2022	–	(340,330)	(21,726,488)

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Within operating activities	**42,516**	65,328
Within investing activities	**–**	55,221
Within financing activities	**203,662**	211,440
Total	**246,178**	331,989

40. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

	2023 ***RMB'000***	2022 *RMB'000*
Property, plant and equipment	**208,831**	478,280

The Group's purchase commitments are primarily related to the construction of new automated warehouses and are all scheduled to be paid within one to two years.

41. RELATED PARTY TRANSACTIONS

(1) Significant related party transactions

The Group had the following material transactions carried out with related parties during the year:

	Notes	2023 RMB'000	2022 RMB'000
Sales of products and services to related parties			
Associates of the Group	(i)	**141,847**	133,886
A joint venture of the Group	(i)	**1,866**	1,195
Purchases of products and services from related parties			
Associates of the Group	(ii)	**36,109**	22,608
A joint venture of the Group	(ii)	**1,735**	–
One of the Company's shareholders	(iii)	**128,597**	87,723
Loans to related parties			
Associates of the Group	(iv)	**–**	37,370
Repayment from related parties			
Associates of the Group	(iv)	**769**	44,234

Notes:

(i) The sales to related parties were made according to the terms and prices agreed in the contracts.

(ii) The purchases from related parties were made according to the terms and prices agreed in the contracts. The purchases from the associates as well as a joint venture of the Group mainly comprise purchases of auto products and installation services.

(iii) One of the Company's shareholders represents Tencent Holdings Limited and its affiliates. The purchases from Tencent Holdings Limited and its affiliates were made according to normal commercial terms mainly comprise:

(a) advertising services amounting to RMB54,295,000 (2022: RMB26,683,000);

(b) payment processing fees amounting to RMB50,878,000 (2022: RMB46,009,000);

(c) cloud services amounting to RMB23,424,000 (2022: RMB15,031,000).

(iv) The loans to the associates of the Group were short-term working capital loans amounting to nil for the year ended 31 December 2023 (2022: RMB37,370,000). The loans of RMB769,000 had been repaid during the year ended 31 December 2023 (2022: RMB44,234,000).

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41. RELATED PARTY TRANSACTIONS (CONTINUED)

(2) Outstanding balances with related parties

Amounts due from related parties:

	Note	2023 RMB'000	2022 RMB'000
Trade related:			
Associates of the Group		5,500	4,206
A joint venture of the Group		597	113
One of the Company's shareholders		907	2,361
		7,004	6,680
Non-trade related:			
Associates of the Group	(i)	–	736

Amounts due to related parties:

	2023 RMB'000	2022 RMB'000
Trade related:		
Associates of the Group	14,420	11,735
A joint venture of the Group	830	–
One of the Company's shareholders	–	3,422
	15,250	15,157

Note:

(i) The non-trade balance due from associates of the Group represented working capital loans to associates that were interest-free.

41. RELATED PARTY TRANSACTIONS (CONTINUED)

(3) Compensation of key management personnel of the Group

	2023 *RMB'000*	2022 *RMB'000*
Salaries, allowances and benefits in kind	**7,881**	12,699
Share-based payment expenses	**71,898**	80,253
Pension scheme contributions	**530**	714
	80,309	93,666

Further details of directors' and the chief executive's emoluments are included in note 10 to the financial statements.

The related party transactions in respect of items (1)(iii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

42. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each reporting period are as follows:

2023

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Mandatorily designated as such *RMB'000*	Equity investments *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Financial investments at fair value through profit or loss	**191,043**	**–**	**–**	**191,043**
Equity investments at fair value through other comprehensive income	**–**	**356,240**	**–**	**356,240**
Financial assets included in other non-current assets	**–**	**–**	**29,229**	**29,229**
Trade receivables	**–**	**–**	**218,179**	**218,179**
Financial assets included in other receivables and other assets	**–**	**–**	**106,491**	**106,491**
Treasury investments	**1,232,991**	**–**	**1,419,395**	**2,652,386**
Cash and cash equivalents and restricted cash	**–**	**–**	**4,177,879**	**4,177,879**
Total	**1,424,034**	**356,240**	**5,951,173**	**7,731,447**

Notes to Financial Statements
31 December 2023

42. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities

	Financial liabilities at amortised cost *RMB'000*
Trade and bills payables	**3,886,756**
Financial liabilities included in other payables and accruals	**826,808**
Interest-bearing borrowings	**8,509**
Other non-current liabilities	**406,505**
Total	**5,128,578**

2022

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
	Mandatorily designated as such *RMB'000*	Equity investments *RMB'000*	Financial assets at amortised cost *RMB'000*	Total *RMB'000*
Financial investments at fair value through profit or loss	227,120	–	–	227,120
Equity investments at fair value through other comprehensive income	–	289,312	–	289,312
Financial assets included in other non-current assets	–	–	31,646	31,646
Trade receivables	–	–	173,731	173,731
Financial assets included in other receivables and other assets	–	–	150,463	150,463
Treasury investments	25,921	–	514,115	540,036
Cash and cash equivalents and restricted cash	–	–	4,193,678	4,193,678
				–
Total	253,041	289,312	5,063,633	5,605,986

42. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Financial liabilities

	Financial liabilities at fair value through profit or loss		
	Designated as such upon initial recognition *RMB'000*	Financial liabilities at amortised cost *RMB'000*	Total *RMB'000*
Trade and bills payables	–	3,119,324	3,119,324
Financial liabilities included in other payables and accruals	–	719,330	719,330
Convertible redeemable preferred shares	21,726,488	–	21,726,488
Other non-current liabilities	–	397,657	397,657
Total	21,726,488	4,236,311	25,962,799

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to their fair values, are as follows:

	Carrying amounts		Fair values	
	2023 ***RMB'000***	2022 *RMB'000*	**2023** ***RMB'000***	2022 *RMB'000*
Financial assets				
Financial investments at fair value through profit or loss	**191,043**	227,120	**191,043**	227,120
Equity investments designated at fair value through other comprehensive income	**356,240**	289,312	**356,240**	289,312
Short-term treasury investments – Fair value through profit or loss	**1,232,991**	25,921	**1,232,991**	25,921
Financial liabilities				
Convertible redeemable preferred shares	**–**	21,726,488	**–**	21,726,488

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43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Management has assessed that the fair values of cash and cash equivalents and restricted cash, short-term treasury investments at amortised cost, trade receivables, financial assets included in other receivables and other assets, long-term treasury investments, financial assets included in other non-current assets, trade and bills payables, financial liabilities included in other payables and accruals, Interest-bearing borrowings and other non-current liabilities approximate to their carrying amounts.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of other non-current liabilities has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the long-term interest-bearing borrowings as at the end of the reporting period was assessed to be insignificant.

The Group, with the assistance of an external appraiser, measures financial instruments such as financial investments and convertible redeemable preferred shares at the end of the reporting period.

43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2023:

	Fair value measurement categorised into			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Financial investments at fair value through profit or loss	**–**	**–**	**191,043**	**191,043**
Equity investments designated at fair value through other comprehensive income	**356,240**	**–**	**–**	**356,240**
Short-term treasury investments – fair value through profit or loss	**–**	**1,232,991**	**–**	**1,232,991**

As at 31 December 2022:

	Fair value measurement categorised into			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial investments at fair value through profit or loss	–	–	227,120	227,120
Equity investments designated at fair value through other comprehensive income	289,312	–	–	289,312
Short-term treasury investments – fair value through profit or loss	–	25,921	–	25,921
Convertible redeemable preferred shares	–	–	21,726,488	21,726,488

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43. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

The following table is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2023 and 2022:

Description	Unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair values
		31 December 2023	31 December 2022	
Financial investments at fair value through profit or loss	Expected Volatility	30.68%-48.73%	37.34%-50.00%	The higher the expected volatility, the lower the fair value
	DLOM	7.65%-21.73%	13.23%-30.00%	The higher the DLOM, the lower the fair value
	Risk free rate	2.08%-2.40%	2.35%-2.64%	The higher the risk-free rate, the higher the fair value
Convertible redeemable preferred shares	Expected Volatility	Not applicable	37.05%-38.03%	The higher the expected volatility, the lower the fair value
	DLOM	Not applicable	7.68%	The higher the DLOM, the lower the fair value
	Risk free rate	Not applicable	4.57%-4.60%	The higher the risk-free rate, the lower the fair value

If the fair values of the financial investments at fair value through profit or loss held by the Group had been 10% higher/lower, the profit before income tax for the year ended 31 December 2023 would have been approximately RMB19,104,000 higher/lower (2022: loss before income tax would have been RMB22,712,000 lower/higher).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing borrowings, convertible redeemable preferred shares, treasury investments, cash and cash equivalents and restricted cash. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade and bills payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing these risks and they are summarised below.

Foreign currency risk

The Group operates the majority of its businesses in Chinese Mainland and nearly all operational transactions are conducted in RMB. The foreign currency exposures of the Group mainly arise from the bank balances denominated in US$ held by the subsidiaries of the Company incorporated in Chinese Mainland and RMB held by the subsidiaries of the Company incorporated out of Chinese Mainland.

The following table demonstrates the sensitivity at the end of each reporting period to a reasonably possible change in the RMB and US$ exchange rate, with all other variables held constant, of the Group's profit/loss before tax and the Group's equity.

	Increase/ (decrease) in rate of foreign currency *%*	Increase/ (decrease) in loss before tax *RMB'000*	Increase/ (decrease) in equity *RMB'000*
Year ended 31 December 2022			
If RMB weakens against US$	5	(7,692)	7,692
If RMB strengthens against US$	(5)	7,692	(7,692)
Year ended 31 December 2023			
If RMB weakens against US$	**5**	**(9,919)**	**9,919**
If RMB strengthens against US$	**(5)**	**9,919**	**(9,919)**

Credit risk

The Group trades only with recognised and creditworthy third parties and related parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

31 December 2023

	12 months ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Financial assets included in other non-current assets – normal**	29,229	–	–	–	29,229
Trade receivables*	–	–	–	233,417	233,417
Financial assets included in other receivables and other assets – normal**	106,491	–	–	–	106,491
Financial assets included in other receivables and other assets – doubtful**	–	–	1,619	–	1,619
Cash and cash equivalents and restricted cash	4,532,014	–	–	–	4,532,014
Total	4,667,734	–	1,619	233,417	4,902,770

31 December 2022

	12 months ECLs	Lifetime ECLs			
	Stage 1 *RMB'000*	Stage 2 *RMB'000*	Stage 3 *RMB'000*	Simplified approach *RMB'000*	Total *RMB'000*
Financial assets included in other non-current assets – normal**	31,646	–	–	–	31,646
Trade receivables*	–	–	–	188,976	188,976
Financial assets included in other receivables and other assets – normal**	150,463	–	–	–	150,463
Financial assets included in other receivables and other assets – doubtful**	–	–	2,944	–	2,944
Cash and cash equivalents and restricted cash	4,707,793	–	–	–	4,707,793
Total	4,889,902	–	2,944	188,976	5,081,822

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maximum exposure year-end staging (Continued)

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 24 to the financial statements.

** The credit quality of the financial assets included in long-term treasury investments, other receivables and other assets and financial assets included in other non-current assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The liquidity of the Group is primarily dependent on its ability to maintain adequate cash inflows from operations to meet its debt obligations as they fall due, and its ability to obtain external financing to meet its committed future capital expenditure.

Notes to Financial Statements

31 December 2023

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of each of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2023

	Within 1 year *RMB'000*	1 to 2 years *RMB'000*	2 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*
Trade and bills payables	3,879,832	6,924	–	–	3,886,756
Financial liabilities included in other payables and accruals	826,808	–	–	–	826,808
Lease liabilities	147,047	119,133	115,783	9,521	391,484
Interest-bearing borrowings	1,275	7,672	–	–	8,947
Other non-current liabilities	–	151,390	255,115	–	406,505
Total	4,854,962	285,119	370,898	9,521	5,520,500

31 December 2022

	Within 1 year *RMB'000*	1 to 2 years *RMB'000*	2 to 5 years *RMB'000*	More than 5 years *RMB'000*	Total *RMB'000*
Trade and bills payables	3,111,433	7,891	–	–	3,119,324
Financial liabilities included in other payables and accruals	719,330	–	–	–	719,330
Lease liabilities	146,024	93,373	110,852	18,503	368,752
Convertible redeemable preferred shares (note 32)	–	–	18,557,609	827	18,558,436
Other non-current liabilities	–	172,348	225,309	–	397,657
Total	3,976,787	273,612	18,893,770	19,330	23,163,499

Note: The liquidity risk of convertible redeemable preferred shares other than Series Seed is calculated based on the redemption price, which equals to the original issue price or deemed issue price as applicable plus the respective predetermined interest, assuming that no consummation of Qualified IPO before the respective date of the redemption event at 31 December 2022 and the holder of those preferred shares request the Company to redeem all of the preferred shares. The liquidity risk of Series Seed preferred shares is calculated based on the liquidation price. Details of the descriptions of convertible redeemable preferred shares are presented in note 32.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may issue new shares or return capital to shareholders. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years.

The Group monitors capital using gearing ratio, which is total liabilities minus convertible redeemable preferred shares, divided by total assets. The gearing ratio as at the end of the reporting period are as follows:

	2023 *RMB'000*	2022 *RMB'000*
Total assets	**11,764,685**	9,014,116
Total liabilities minus the convertible redeemable preferred shares	**7,306,366**	6,244,192
Gearing ratio	**62%**	69%

45. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, on 1 January 2024, a total of 914,599 restricted shares were granted to certain of the employees of the Company in respect of their services to the Group in the forthcoming year. The total vesting periods for the restricted share units are 47 to 48 months and these restricted share units have no exercise price. The share price of the Company at the grant date was HK$28.10 per share.

Save as disclosed elsewhere in this report, there was no significant event of the Group which has occurred after 31 December 2023.

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46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023 *RMB'000*	2022 *RMB'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**3,259,353**	3,057,723
Equity investments designated at fair value through other comprehensive income	**356,240**	289,312
Total non-current assets	**3,615,593**	3,347,035
CURRENT ASSETS		
Due from subsidiaries	**11,403,232**	10,364,210
Due from holders of preferred shares		–
Prepayments, other receivables and other assets	**4,140**	8,567
Short-term treasury investment	**212,481**	25,921
Cash and cash equivalents	**11,119**	2,009
Total current assets	**11,630,972**	10,400,707
CURRENT LIABILITIES		
Other payables and accruals	**22,370**	22,253
Due to subsidiaries	**141,493**	231,866
Total current liabilities	**163,863**	254,119
NET CURRENT ASSETS	**11,467,109**	10,146,588
TOTAL ASSETS LESS CURRENT LIABILITIES	**15,082,703**	13,493,623
NON-CURRENT LIABILITIES		
Convertible redeemable preferred shares	**–**	21,726,488
Total non-current liabilities	**–**	21,726,488
NET ASSETS/(LIABILITIES)	**15,082,702**	(8,232,865)
EQUITY		
Share capital	**118**	21
Reserves/(deficits) (note)	**15,082,584**	(8,232,886)
Total equity	**15,082,702**	(8,232,865)

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserves/(deficits) is as follows:

	Share premium RMB'000	Share-based payment reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Exchange fluctuation reserve* RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2023	–	570,690	(121,487)	(202,986)	(8,479,103)	(8,232,886)
Profit for the year	–	–	–	–	6,517,218	6,517,218
Other comprehensive income for the year:						
Changes in fair value of equity investments designated at fair value through other comprehensive income, net of tax	–	–	61,725	–	–	61,725
Exchange differences on translation of foreign operations	–	–	–	(456,235)	–	(456,235)
Total comprehensive income for the year	–	–	61,725	(456,235)	6,517,218	6,122,708
Share-based payments	–	201,629	–	–	–	201,629
Issue of shares	1,063,411	–	–	–	–	1,063,411
Conversion of convertible redeemable preferred shares to ordinary shares	15,815,057	–	–	–	–	15,815,057
Exercise of the over– allotment option	112,665	–	–	–	–	112,665
At 31 December 2023	16,991,133	772,319	(59,762)	(659,221)	(1,961,885)	15,082,584

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 14 March 2024.

Five-Year Financial Review

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December				
	2023	2022	2021	2020	2019
	(RMB in thousands)				
Revenue	**13,601,085**	11,546,851	11,724,263	8,753,316	7,040,361
Gross profit	**3,359,353**	2,270,182	1,870,302	1,080,022	523,407
Profit/(loss) before tax	**6,725,346**	(2,107,649)	(5,809,979)	(3,903,615)	(3,417,976)
Profit/(loss) for the year	**6,700,697**	(2,138,315)	(5,844,801)	(3,928,209)	(3,428,278)
Profit/(loss) attributable to owners of the parent	**6,702,935**	(2,136,173)	(5,840,577)	(3,928,209)	(3,428,278)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of 31 December				
	2023	2022	2021	2020	2019
	(RMB in thousands)				
ASSETS					
Non-current assets	**3,493,404**	2,108,270	2,085,863	1,456,463	660,675
Current assets	**8,271,281**	6,905,846	7,746,291	7,577,854	5,503,750
Total Assets	**11,764,685**	9,014,116	9,832,154	9,034,317	6,164,425
LIABILITIES					
Non-current liabilities	**704,013**	22,398,481	19,453,535	12,602,611	9,937,264
Current liabilities	**6,602,353**	5,572,199	5,742,993	6,337,249	2,722,444
Total Liabilities	**7,306,366**	27,970,680	25,196,528	18,939,860	12,659,708
EQUITY					
Total Equity	**4,458,319**	(18,956,564)	(15,364,374)	(9,905,543)	(6,495,283)

Definitions

"AGM"	the annual general meeting of the Company proposed to be held on 7 June 2024
"AI"	artificial intelligence
"Articles of Association"	the articles of association of the Company, as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Auditor"	Ernst & Young, an independent auditor of the Company
"Board"	the board of Directors of the Company
"Cayman Companies Law"	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to "China" and the "PRC" do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan Province of the PRC
"Class A Share(s)"	Class A ordinary share(s) in the share capital of the Company with a par value of US$0.00002 each, conferring a holder of a Class A Share one vote per share on any resolution tabled at the Company's general meetings
"Class B Share(s)"	Class B ordinary share(s) in the share capital of the Company with a par value of US$0.00002 each, conferring weighted voting rights in that Company such that a holder of a Class B Share is entitled to ten votes per share on any resolution tabled at the Company's general meetings, save for resolutions with respect to any Reserved Matters, in which case they shall be entitled to one vote per share
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company", "the Company" or "our Company"	TUHU Car Inc., an exempted company with limited liability incorporated in the Cayman Islands on 8 July 2019
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Chen Min and the companies through which Mr. Chen Min has an interest in the Company, namely Ilnewgnay Investment Limited and Nholresi Investment Limited
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules

Definitions

"CSL"	Chinese Super League
"Director(s)"	director(s) of the Company
"Equity Incentive Schemes"	collectively, the 2019 Share Incentive Plan and the Post-IPO Share Scheme
"Financial Statements"	the consolidated financial statements of the Group for the year ended 31 December 2023 as audited by Ernst & Young
"Global Offering"	the global offering of the Class A Shares
"Group", "the Group" or "the Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"ICEV"	internal combustion engine vehicles
"IFRS"	International Financial Reporting Standards, as issued by the International Accounting Standards Board
"KOL"	key opinion leader
"Latest Practicable Date"	16 April 2024, being the latest practicable date prior to the bulk printing and publication of this annual report
"Listing Date"	26 September 2023
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Listing"	the listing of the Class A Shares on the Main Board of the Stock Exchange
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"NEV"	new energy vehicle

Definitions

"Nomination Committee"	the nomination committee of the Board
"OEM"	original equipment manufacturer
"Post-IPO Share Scheme"	the post-IPO share scheme conditionally approved and adopted by the Company on 7 September 2023
"Prospectus"	the prospectus issued by the Company dated 14 September 2023
"Qipeilong"	an auto part trading platform the Company built to serve the customers' diversified, long-tail automotive product demand, especially demand arise from the walk-in customers
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"Reserved Matters"	those matters with respect to which each Share is entitled to one vote at general meetings of the Company pursuant to the Articles of Association, being: (i) any amendment to the memorandum of articles of the Company or Articles of Association, including the variation of the rights attached to any class of Shares; (ii) the appointment, election or removal of any independent non-executive Director; (iii) the appointment or removal of the Auditor; and (iv) the voluntary liquidation or winding-up of the Company
"SaaS"	software-as-a-service
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	the Class A Shares and Class B Shares in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"SKU"	stock keeping unit
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto under the Listing Rules
"US$"	United States dollars, the lawful currency of the United States

Definitions

"VAT"	value-added tax
"WVR Beneficiary"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Chen Min, being the ultimate holder of the Class B Shares, entitling him to weighted voting rights
"WVR structure"	has the meaning ascribed to it under the Listing Rules
"2019 Share Incentive Plan"	the share incentive plan approved and adopted by the Company on 31 October 2019
"%"	percentage

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TUHU Car Inc.